
*University of California
Los Alamos National Laboratory
Medical Plans – 1995 to 2001
September 2002*

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INTRODUCTION

Introduction

■ GENERAL HEALTH CARE TRENDS

- In 2001, costs continued to increase nationally and double digit trend rates remain in the forecast for the near term.
- The cost of care for retirees continues to rise in part due to the increase in the number of retiree members but also due to growing cost pressures for this population.
- The Los Alamos and New Mexico markets are not without their challenges. BCBSNM reports double digit trend rates for its 2001 HMO book-of-business, although not as high as LANL.

■ LOS ALAMOS NATIONAL LABORATORY TRENDS

- Total program costs increased approximately 18% in 2001.
- Pharmacy benefit design changes in 1999 increased member copayments significantly but the impact on overall cost sharing is diminishing over time.
- Utilization increases were most noteworthy in the areas of outpatient care including office visits, outpatient surgeries, MRI/CT Scans and prescription drugs.
- Costs per service is a major driver in the overall cost increase, rising in most service categories including prescription drugs, inpatient hospitalizations, emergency room encounters, physician office visits and outpatient facility costs.
- While the cost of care in Los Alamos is generally higher than other areas, significant cost increases were noted in other cities, indicating that health care trends are not limited to any specific geographic region in New Mexico.
- For selected chronic conditions, Active employees in the Los Alamos population do not appear sicker than similar populations; retirees, on the other, do show higher prevalences of selected chronic conditions. However, the prevalence of members with these conditions continued to increase in 2001.

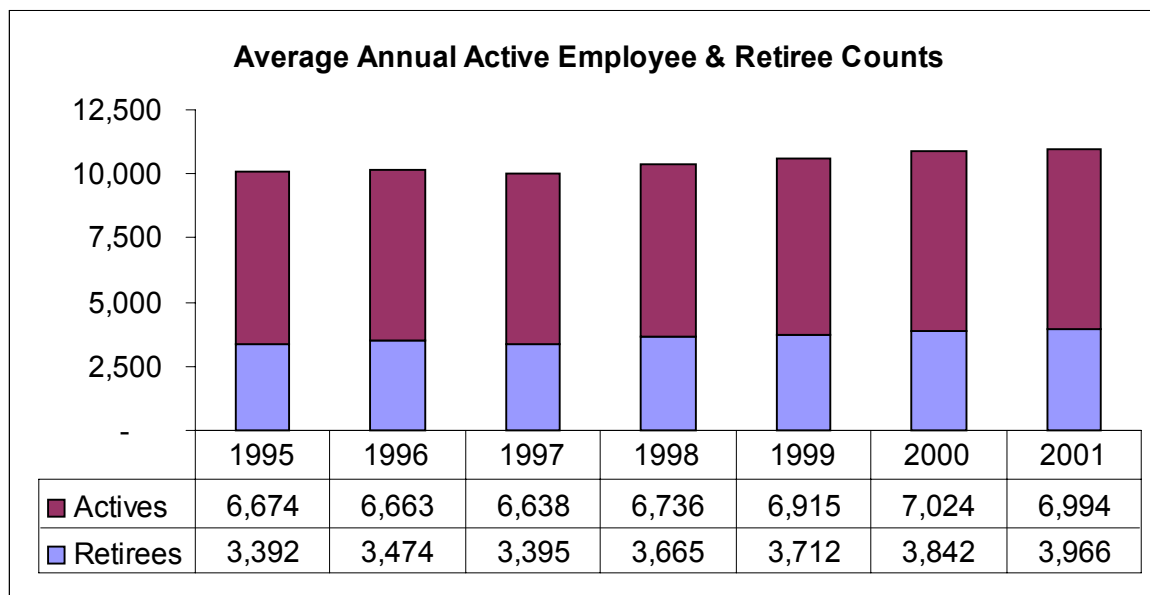
Unless otherwise noted, cost figures presented in this report reflect the net payment for services after member copayments or coinsurance and reductions for network discounts.



GENERAL FINDINGS

Enrollment Trends

- In the last seven years, the number of Active employees participating in the plans has increased approximately 5% although the population stabilized in 2001.
- The ratio of employees to retirees in the LANL population is less than 2. The 2000 ratio for UC in California was approximately 3.3 per retiree. Medicare eligible retirees continued to increase significantly over this time period.



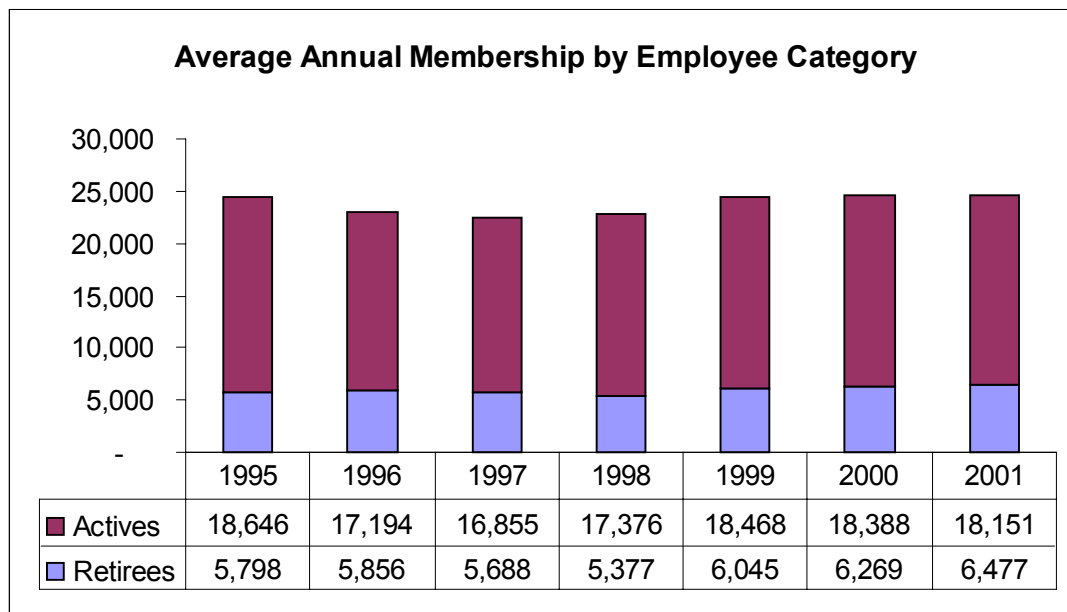
**Employee Distribution
By Employee Category**

Year	Actives	Retirees	Total
1995	66.3%	33.7%	10,066
1996	65.7%	34.3%	10,137
1997	66.2%	33.8%	10,033
1998	64.8%	35.2%	10,401
1999	65.1%	34.9%	10,627
2000	64.6%	35.4%	10,866
2001	63.8%	36.2%	10,960

NOTE: Charts and tables include active employees or retirees only and do not include dependents.
From 1998 on, the counts include participants in the Core program.

Membership Trends

- Covered lives in all plans decreased 1996 through 1998 but returned to earlier levels in 1999.
- Retiree membership continued to increase as a percentage of total plan members, moving beyond one out of four plan members in 2000 and 2001. Almost 6 out of 10 retirees are Medicare eligible.



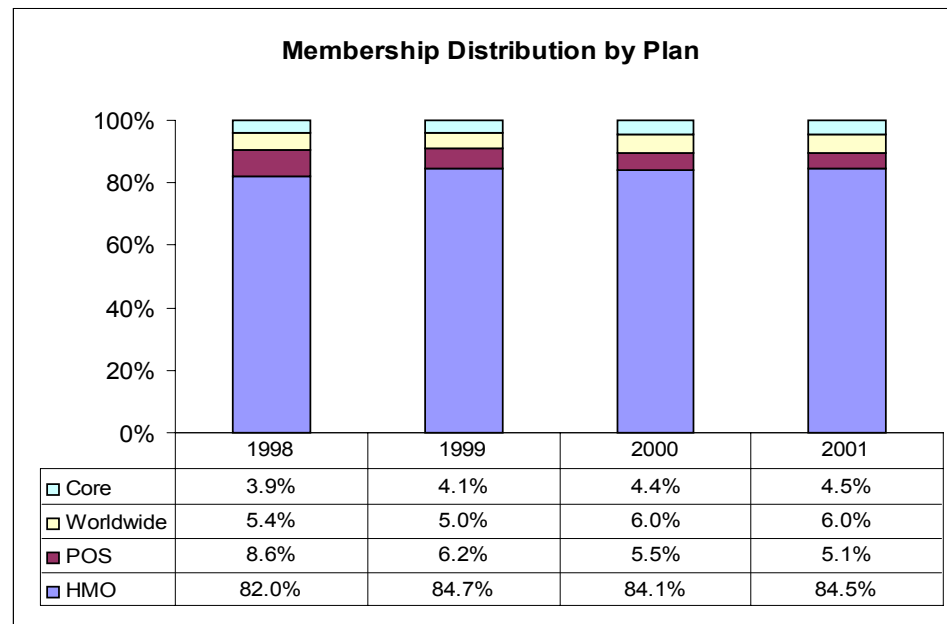
**Membership Distribution
By Employee Category**

Year	Actives	Retirees	Total
1995	76.3%	23.7%	24,444
1996	74.6%	25.4%	23,050
1997	74.8%	25.2%	22,543
1998	73.4%	26.6%	23,673
1999	75.3%	24.7%	24,512
2000	74.6%	25.4%	24,658
2001	73.7%	26.3%	24,628

NOTE: Charts and tables includes all members, including dependents.

Membership Trends by Plan

- HMO membership increased slightly in 1999 but has stabilized.
- Enrollment in the POS program decreased significantly in 1999 and continued a gradual decline through 2001.
- Although their overall membership base remains small, the Core and Worldwide programs have been growing as a percentage of total membership.



NOTE: Chart includes all members, including dependents.

Average Member Age by Plan

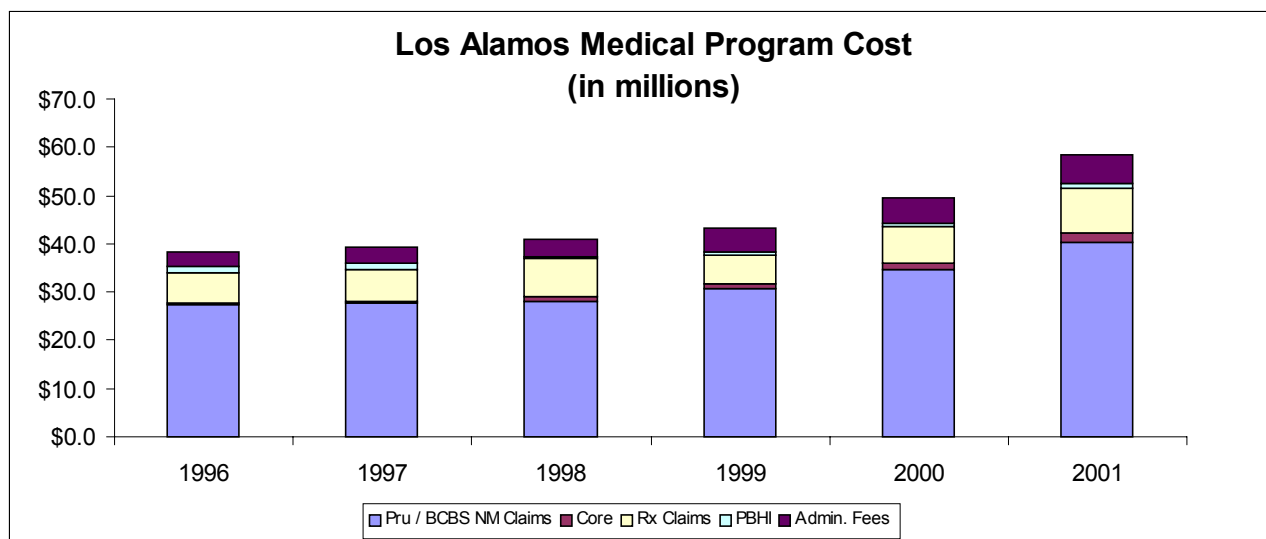
- The POS population continues to show the highest average age among Actives and Retirees as compared to other programs administered by BCBSNM. This is particularly true for Actives where the average age was almost 13 years older than for an HMO member.
- For most of the LANL programs, average ages were relatively unchanged; however, the average age of POS Active and Non-Medicare members increased more significantly in 2001.

	HMO			POS			Worldwide			Core		
	2000	2001	% Change	2000	2001	% Change	2000	2001	% Change	2000	2001	% Change
Active	32.3	32.9	1.6%	44.1	45.4	3.0%	37.0	40.6	9.6%	38.4	38.8	1.1%
Non-Medicare	57.7	58.1	0.7%	61.7	63.5	2.9%	60.3	60.3	-0.1%	62.5	62.2	-0.5%
Medicare	74.3	74.3	0.0%	75.7	75.8	0.1%	75.1	74.7	-0.6%	74.4	74.9	0.7%

NOTE: Table reflects average age for all members including dependents but does not include COBRA or DOE participants.

Total Program Costs

- Increases in medical and pharmacy spending are responsible for the majority of program cost increases, although administration fees have doubled since 1996, while medical costs have increased over 50%.

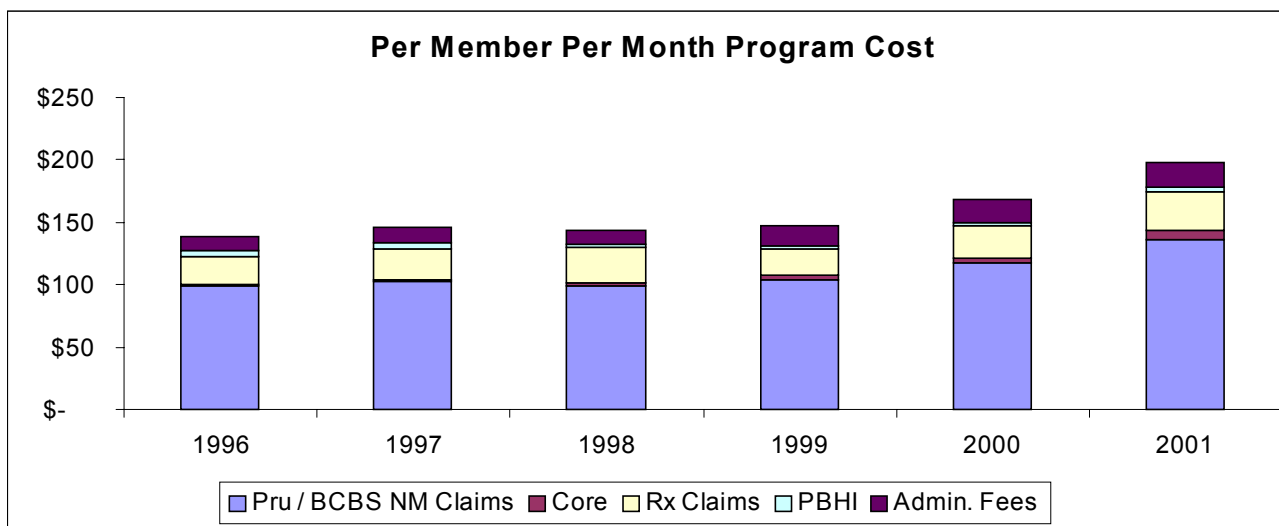


Year	Pru / BCBS NM Claims	Core	Rx Claims	PBHI	Admin. Fees	Total Cost
1996	\$27.5	\$0.3	\$6.1	\$1.5	\$3.0	\$38.4
1997	\$27.7	\$0.5	\$6.6	\$1.3	\$3.3	\$39.4
1998	\$28.1	\$0.9	\$7.9	\$0.6	\$3.5	\$40.9
1999	\$30.7	\$0.9	\$6.2	\$0.7	\$4.9	\$43.4
2000	\$34.8	\$1.3	\$7.5	\$0.6	\$5.5	\$49.7
2001	\$40.4	\$1.9	\$9.3	\$0.9	\$6.0	\$58.5

Note: In 1996 & 1997, Prudential was responsible for medical claims payment. BCBSNM is shown for 1998 through 2001.

Per Member Per Month Program Costs

- Overall, plan costs per member per month were fairly stable through 1999 due to plan design changes. However, each of the last two years shows total program costs rising significantly.

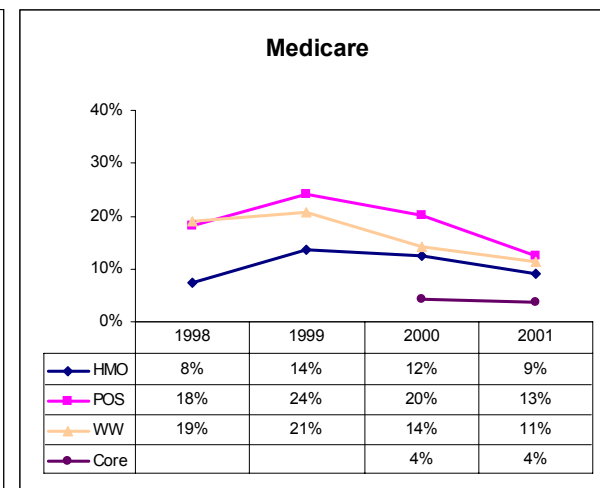
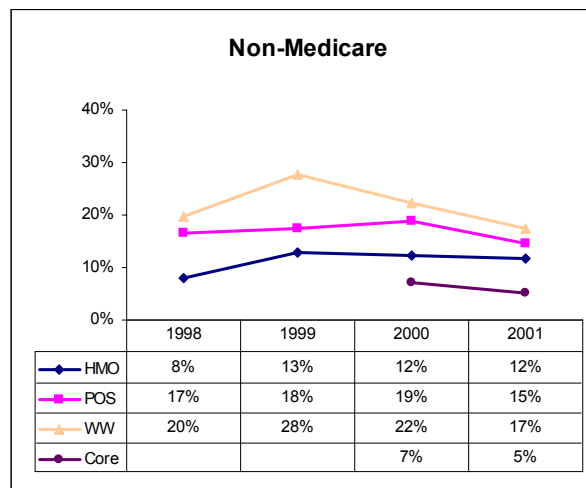
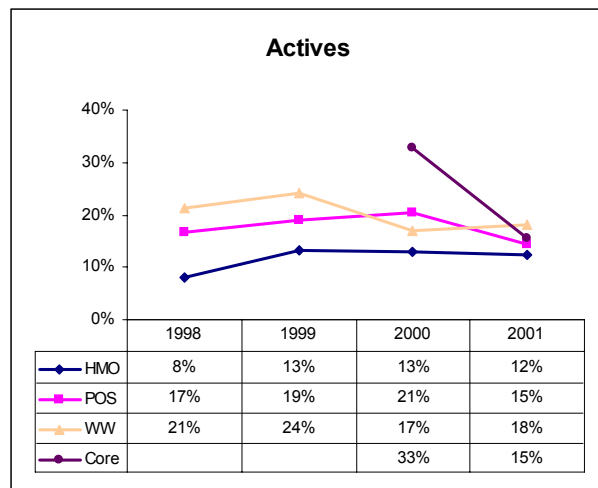


Year	Pru / BCBS NM Claims	Core	Rx Claims	PBHI	Admin. Fees	PMPM Total	Increase Over Prior Year
1996	\$99	\$1	\$22	\$5	\$11	\$139	n/a
1997	\$102	\$2	\$24	\$5	\$12	\$146	4.9%
1998	\$99	\$3	\$28	\$2	\$12	\$144	-1.1%
1999	\$104	\$3	\$21	\$2	\$17	\$147	2.3%
2000	\$118	\$4	\$25	\$2	\$19	\$168	13.8%
2001	\$137	\$6	\$32	\$3	\$20	\$198	17.9%

Note: In 1996 and 1997, Prudential was responsible for medical claims payment. BCBSNM is shown for 1998 through 2001.

Member Cost Sharing

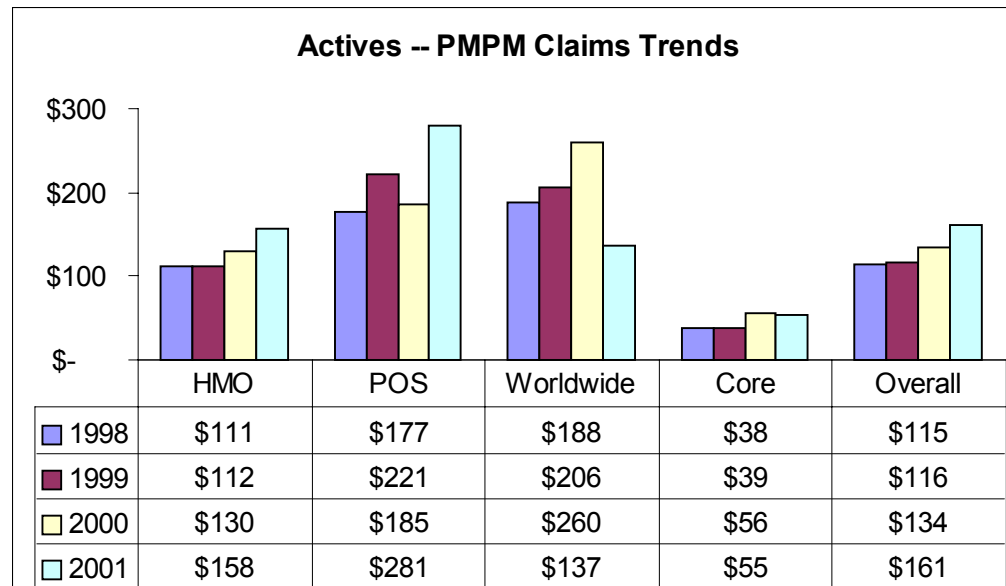
- The following charts show the percentage of medical and pharmacy expenses paid for by plan members. The increase in 1999 is explained by the introduction of the 3-tier pharmacy copayment design for the BCBSNM programs.
- For the HMO program, member cost sharing appears to be gradually returning to pre-1999 levels because copayments have not kept pace with cost increases. Cost sharing is more variable in the other programs due to low membership.



Note: These figures do not include cost sharing for the PBHI program. Results for Core prior to 2000 are not available. The large variation in Core – Actives is attributable to the plan's small membership and a high cost claimant in 2001 with significant coordination of benefits adjustments.

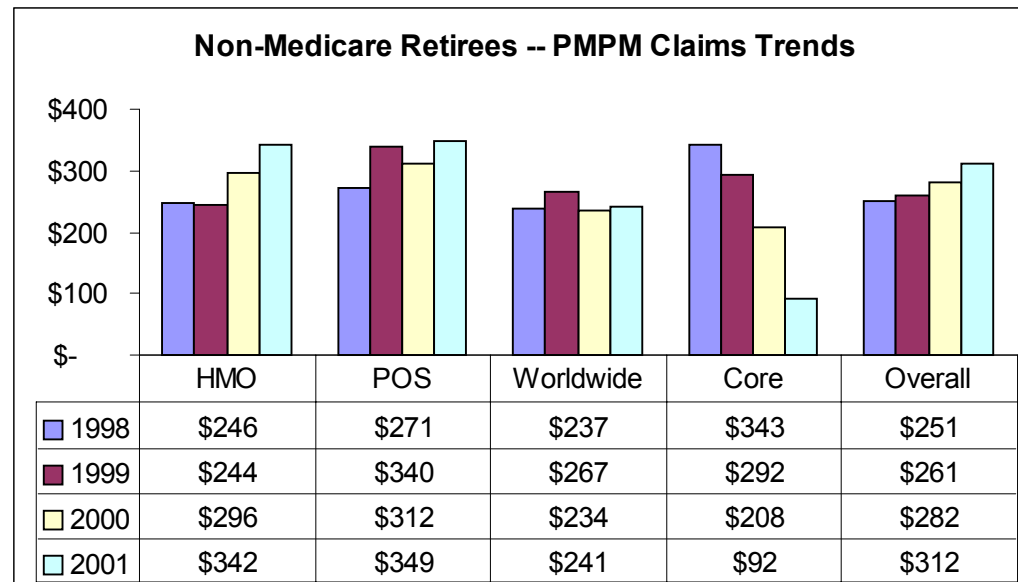
Per Member Per Month Claims Expense Trends – Actives

- In 2001, overall claims expense rose 20% for Actives. The HMO and POS programs experienced the sharpest increases, 21% and 52%, respectively. Active membership in the POS program declined in 2001 and is relatively small; costs will therefore vary more significantly year-to-year.



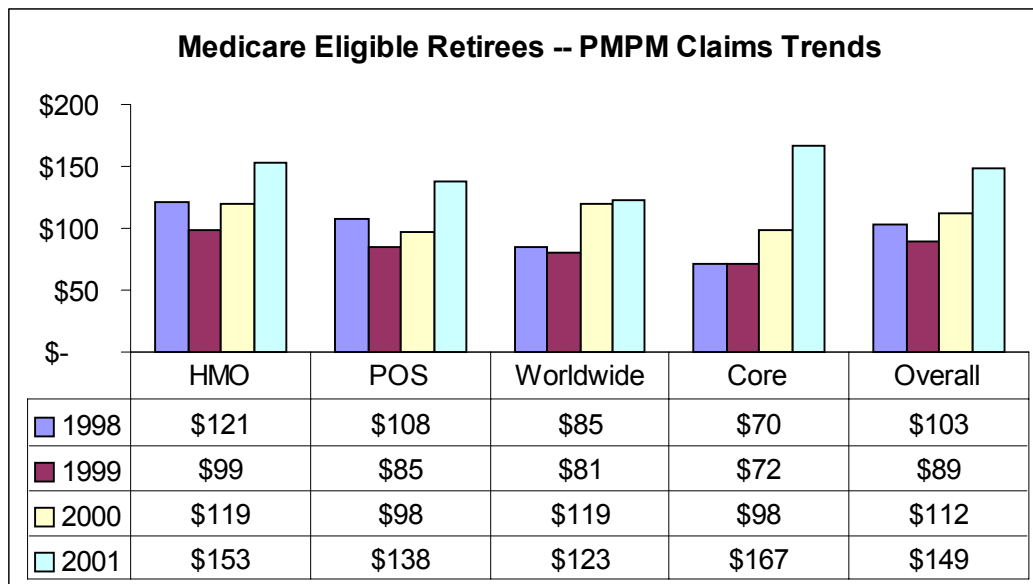
Per Member Per Month Claims Expense Trends – Non-Medicare

- The overall claims expense rose almost 11% in 2001 for Non-Medicare Retirees. The HMO and POS programs experienced approximately 16% and 12% increases, respectively. Core program expenses vary significantly year-to-year due to the very small enrollment (less than 100 participants in 2001).
- The Non-Medicare Retiree PMPM rate for the HMO program increased sharply in 2000 and 2001 and is now almost equal to the POS rate which had historically been higher.



Per Member Per Month Claims Expense Trends – Medicare

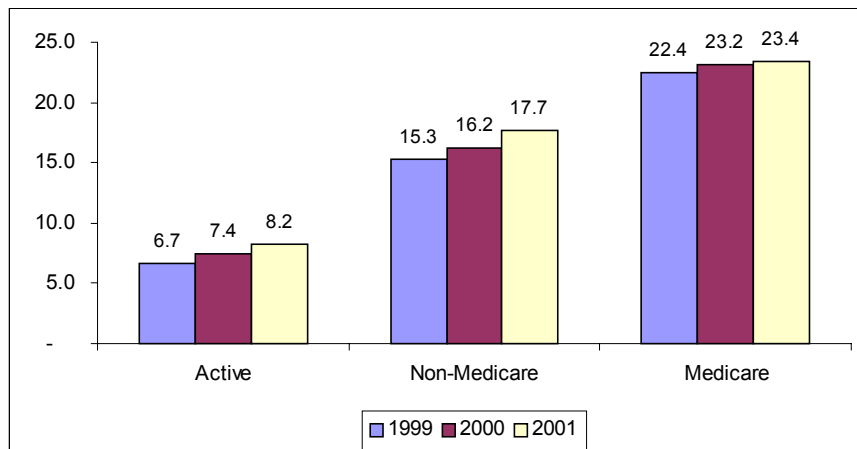
- Medicare PMPMs decreased significantly in 1999 due to the pharmacy benefit design change but costs started to rise again in 2000 and increased 33% overall in 2001.
 - The HMO program increased 29%.
 - The POS program increased 42%.
 - The Core program increased 71% (a high cost claimant explains a significant percentage of the increase).



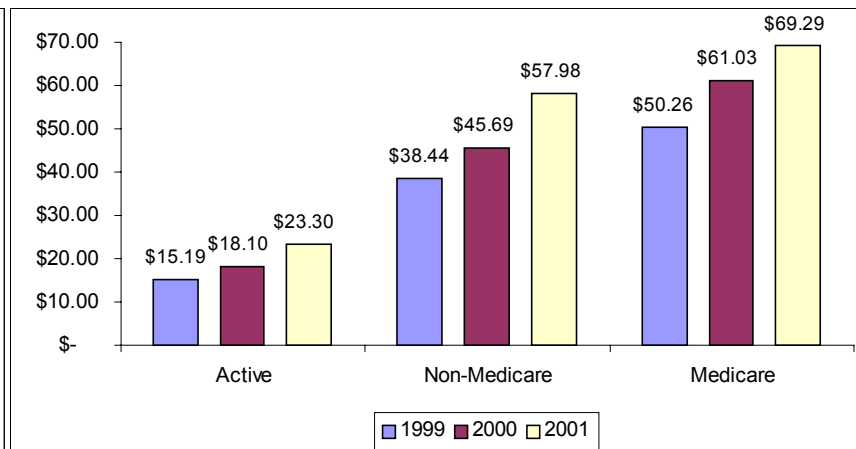
Pharmacy Cost & Utilization Trends

- Utilization rates for prescription drugs continued to increase for Active and Non-Medicare program members:
 - From 2000 to 2001, the utilization increase was almost 11% for Actives, approximately 9% for Non-Medicare Retirees and less than 1% for Medicare Retirees.
- In 2001, PMPM costs increased approximately 29% for Actives, almost 27% for Non-Medicare Retirees and over 13% for Medicare Retirees.

Scripts per Member



PMPM Pharmacy Costs

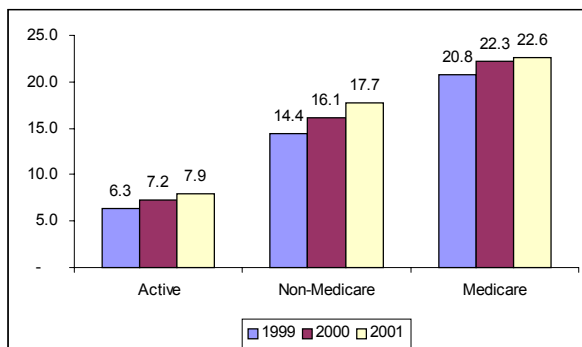


Note: These figures do not include Core program members.

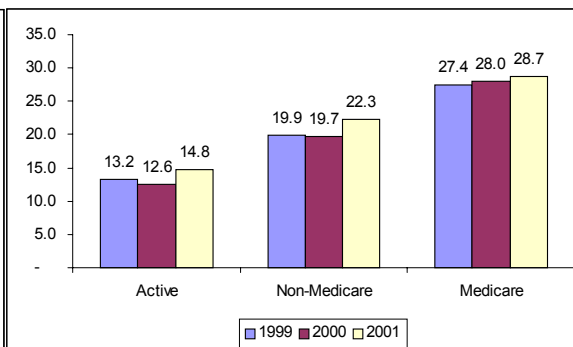
Pharmacy Utilization Trends by Plan

- When examined by plan, utilization rates reflect the age differences of the membership.
- Pharmacy utilization increases continue to play a role in rising cost trends in both the HMO and POS programs.
 - Pharmacy utilization increases for Active and Non-Medicare members in the HMO program averaged almost 10%. Medicare utilization was fairly stable.
 - Active and Non-Medicare members in the POS program experienced more dramatic increases in pharmacy utilization, corresponding to the increase in average age for these groups in 2001.

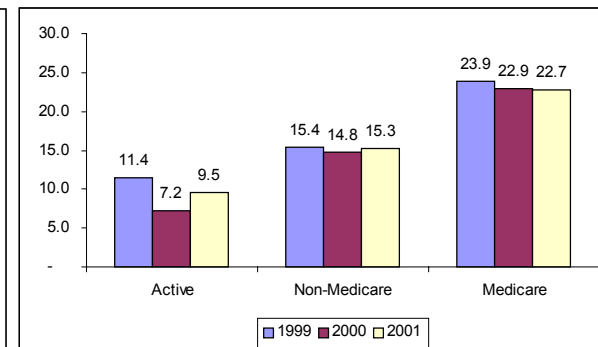
HMO – Scripts per Member



POS – Scripts per Member



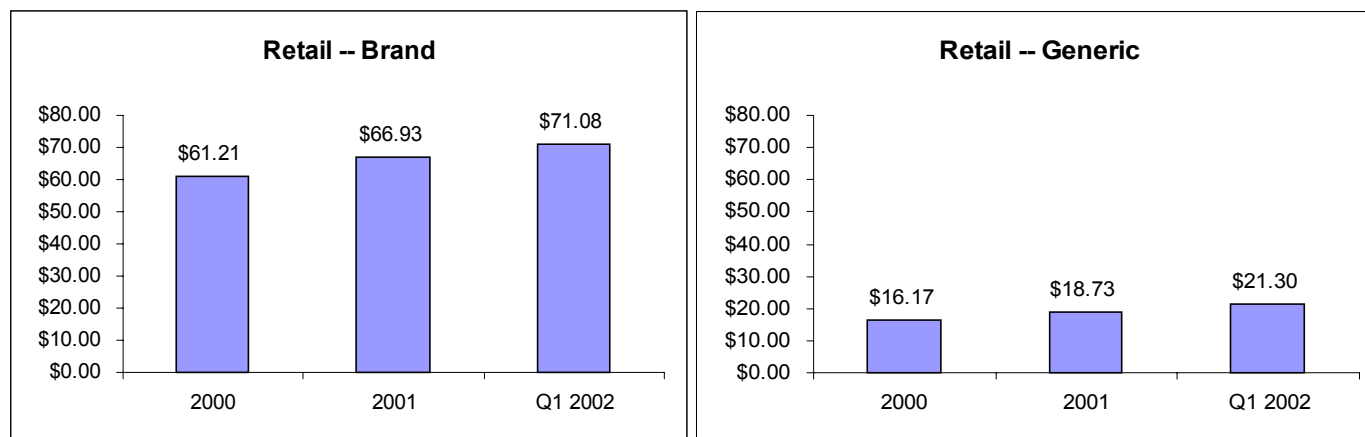
Worldwide – Scripts per Member



Overall Pharmacy Cost Trends

- Ingredient costs per script for retail brand products increased over 9% from 2000 to 2001 and, for the first quarter of 2002, are up over 6% from 2001.
- Generic utilization is 36% and only represents approximately 6.4% of total pharmacy expense:
 - The ingredient cost per generic script increased almost 16% from 2000 to 2001 and approximately 14% from 2001 to the first quarter of 2002.
 - Although not shown, generic utilization increased from 35% to 37% between 2000 and 2001. The first quarter 2002 generic use rate is approximately 40%. Despite the improvement, the rate was low compared to a national HMO benchmark of 48%.

Average Ingredient Cost by Year



Inpatient Utilization

- Active admissions per 1,000 for the BCBSNM programs have declined slightly although the recent trend indicates a gradual return to 1998 levels. Meanwhile, the cost per admission has increased – up approximately 14%.
- Like the Active population, most of the increase in inpatient costs is attributable to the higher cost per admission which was up over 20% for Non-Medicare Retirees and 14% for Medicare Retirees in 2001.
- The cost per admission and per day for Medicare enrollees is lower when compared to Actives and Non-Medicare retirees, reflecting the fact that the plan pays secondary to Medicare.

Measure	Actives				Non-Medicare				Medicare			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Admissions per 1,000	57.6	55.1	55.4	56.9	85.1	100.5	100.3	101.0	198.7	198.8	183.8	161.8
Days per 1,000	186	183	187	193	476	514	485	464	1,120	1,141	1,049	748
ALOS	3.2	3.3	3.4	3.4	5.6	5.1	4.8	4.6	5.6	5.7	5.7	4.6
Cost per Admission	\$ 4,046	\$ 4,205	\$ 4,789	\$ 5,471	\$ 6,320	\$ 7,268	\$ 6,406	\$ 7,743	\$ 583	\$ 552	\$ 990	\$ 1,133
Cost per Day	\$ 1,250	\$ 1,268	\$ 1,419	\$ 1,614	\$ 1,130	\$ 1,421	\$ 1,325	\$ 1,688	\$ 103	\$ 96	\$ 174	\$ 245

Note: These figures do not include Core. Admissions do not include non-acute stays (e.g., skilled nursing care) for 2000 and 2001 which explains some of the change in the Medicare results when compared to 1998 and 1999.

Outpatient Utilization

- Utilization levels have fluctuated year-to-year but for the most part, costs continued to rise.
 - Since 1998, emergency room costs per visit have more than doubled for Actives, almost doubled for Non-Medicare Retirees and nearly tripled for Medicare Retirees. For Actives and Non-Medicare Retirees, the use of emergency rooms increased 6% and 10% respectively.
 - Office visit utilization and costs are also on the rise for all employees and retirees.
 - Urgent care utilization measurements were impacted by the claims system change in 2001 but using the same classification methodology for 2000 and 2001 indicates the use and costs for these services continues to increase.

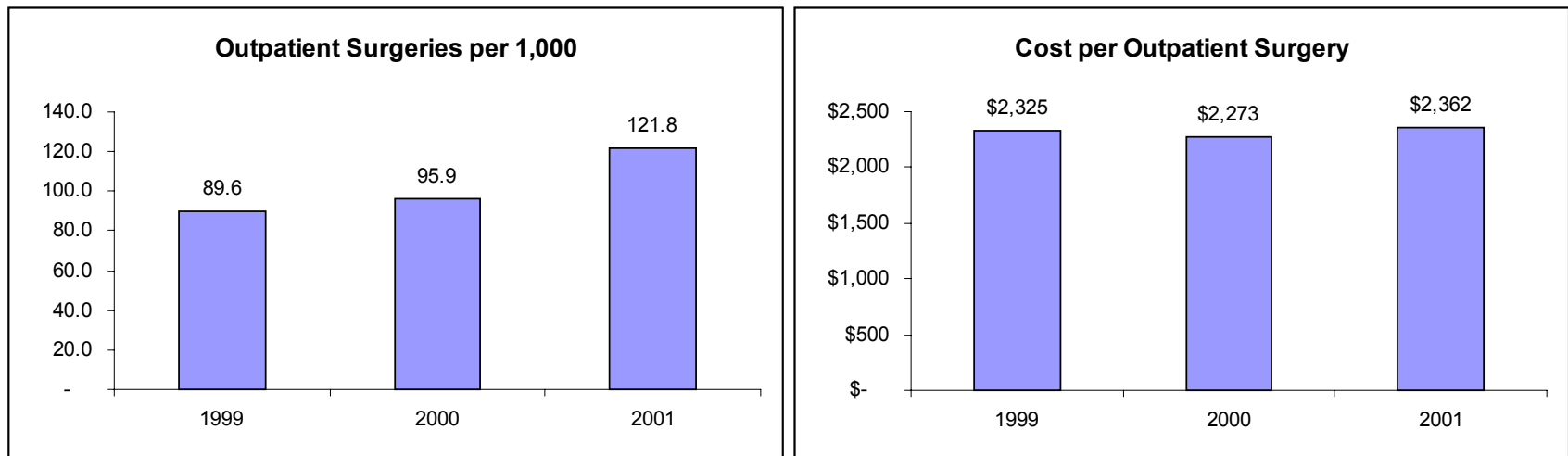
Measure	Actives				Non-Medicare				Medicare			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Utilization												
ER Visits per 1,000	185	143	157	166	197	158	172	190	229	153	206	197
Urgent Care per 1,000*	185	200	117	148	144	145	78	82	58	62	62	84
Office Visits per Member	3.8	3.9	3.9	4.2	5.4	5.5	5.6	5.9	5.9	6.2	6.0	6.4
Cost per Service												
Emergency Room	\$238	\$398	\$450	\$516	\$295	\$451	\$531	\$581	\$41	\$80	\$95	\$117
Urgent Care Visit*	\$47	\$53	\$73	\$87	\$44	\$51	\$70	\$107	\$16	\$11	\$14	\$22
Office Visit	\$49	\$48	\$55	\$59	\$46	\$45	\$50	\$52	\$8	\$7	\$8	\$13

General Note: These figures do not include experience for the Core program.

* Because of a claims system change, the definition of Urgent Care was modified for 2000 and 2001. This has resulted in fewer Urgent Care encounters being reported and a higher cost per service. To understand Urgent Care trends, only 2000 and 2001 experience should be compared. Prior years' results are included for informational purposes only.

Selected Outpatient Care – Outpatient Surgery

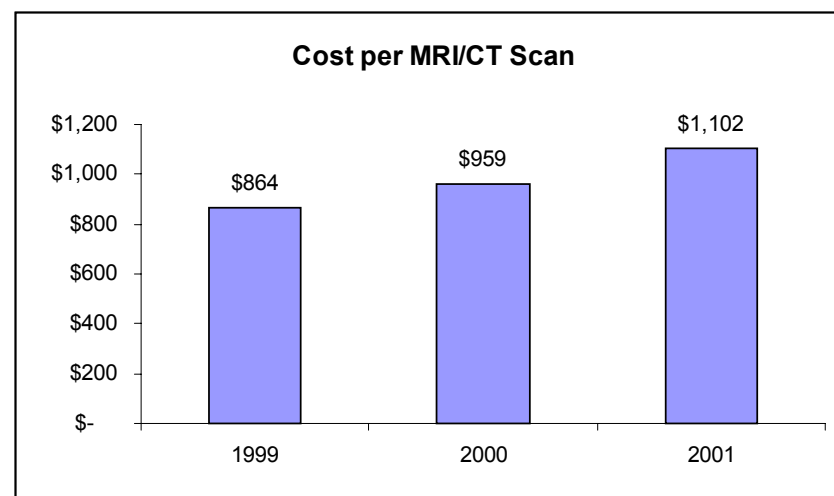
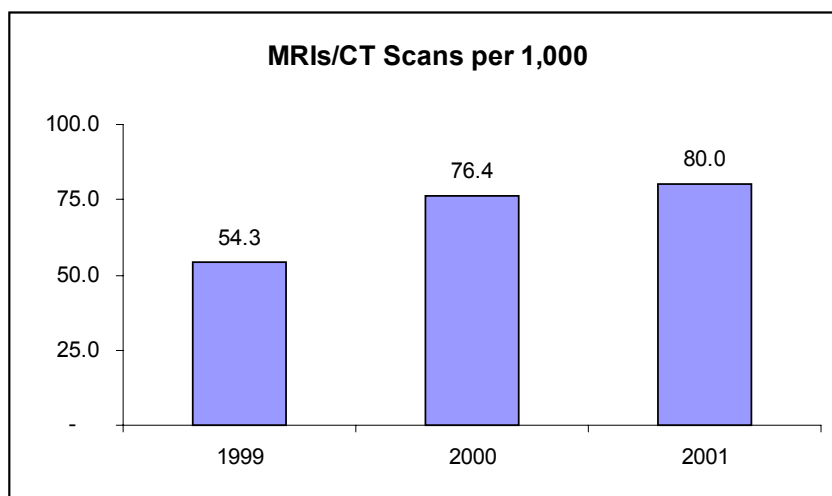
- While the cost of outpatient surgeries has remained relatively stable over the last three years, utilization has increased 27% in 2001 for Active and Non-Medicare members in the HMO and POS programs.



Note: Data are for the Active and Non-Medicare members in the HMO and POS programs only and do not include Worldwide or Core members.

Selected Outpatient Care – MRI & CT Scans

- Part of the increase in outpatient facility costs is related to the increased use and cost of MRIs and CT Scans. A large increase in utilization was noted in 2000 (over 40%) and the rate continues to rise in 2001, although not as dramatically. The cost per service is also increasing, up almost 15% in 2001. Increased monitoring of these utilization categories should occur. In addition, we recommend that BCBSNM consider methods to educate physicians about excessive utilization.



Note: Data are for the Active and Non-Medicare members in the HMO and POS programs only and do not include Worldwide or Core members.

Top Facilities

- For the HMO and POS programs combined, the top 6 facilities represent the majority of facility related care.
- Los Alamos Medical Center consistently represents almost half of all admissions and emergency room encounters and 42% of all outpatient surgeries in 2001.

Top Facilities for Actives and Non-Medicare Retirees in the HMO and POS Programs Combined

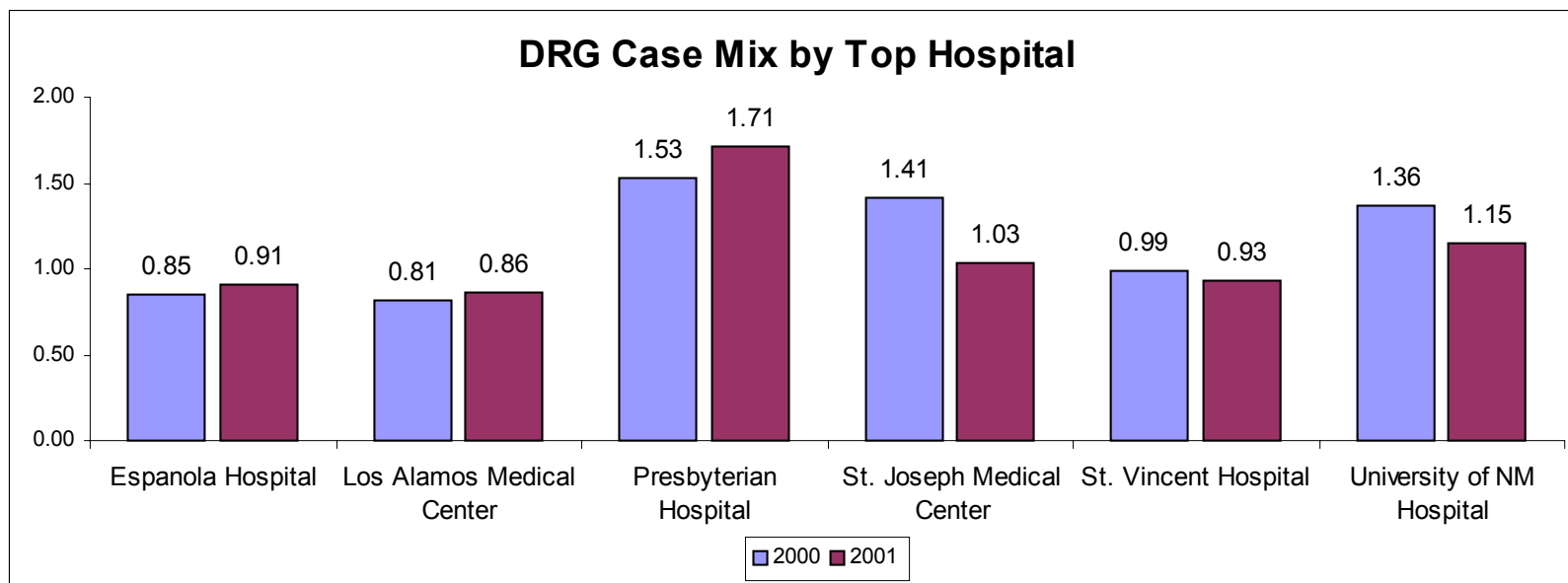
<i>Inpatient Admissions</i>	2000			2001			DRG Mix	
Facility Name	Admits	ALOS	Percentage of Total Admissions	Admits	ALOS	Percentage of Total Admissions	2000	2001
Espanola Hospital	44	2.6	4%	47	2.9	4%	0.85	0.91
Los Alamos Medical Center	605	2.7	49%	595	2.8	48%	0.81	0.86
Presbyterian Hospital	89	5.8	7%	90	8.5	7%	1.53	1.71
St. Joseph Medical Center	44	3.8	4%	32	2.8	3%	1.41	1.03
St. Vincent Hospital	291	3.1	24%	273	2.7	22%	0.99	0.93
University of NM Hospital	61	8.0	5%	50	4.9	4%	1.36	1.15

<i>Outpatient Care</i>	Emergency Room				Outpatient Surgery			
	2000		2001		2000		2001	
	Events	Percentage of Total	Events	Percentage of Total	Events	Percentage of Total	Events	Percentage of Total
Espanola Hospital	409	12%	442	13%	99	5%	102	4%
Los Alamos Medical Center	1,655	51%	1,747	52%	717	38%	1,003	42%
Presbyterian Hospital	63	2%	60	2%	147	8%	129	5%
St. Joseph Medical Center	119	4%	97	3%	70	4%	52	2%
St. Vincent Hospital	634	19%	655	19%	395	21%	516	22%
University of NM Hospital	36	1%	38	1%	43	2%	67	3%

Note: DRG refers to “diagnosis related group”, which incorporates relative acuity scores for admissions based on the diagnoses and procedures reported.

Top Facilities

- The case mix analysis continues to show that LAMC handles lower acuity admissions although there was a small increase in the case mix over 2001.
- While historical data suggest LAMC was more expensive on an acuity-adjusted basis, recent results indicate its costs are more comparable to other facilities although it remains one of the higher cost facilities used by LANL members.



Note: These figures only include Active and Non-Medicare members in the HMO and POS programs. DRG refers to “diagnosis related groups”, which incorporates relative acuity scores for admissions based on the diagnoses and procedures reported.

Top Pharmacy Product Utilization – Actives

- The tables summarize the top pharmacy products, based on total paid for 1995 and 2001.
- Note the percentage of costs represented by depression, cholesterol and allergy medications. The distribution for the POS plan is reflective of the older average age and greater severity of disease for this population.
- The cost burden of cholesterol lowering agents and ulcer/GERD medications suggests the need to share cost-efficacy information with providers and members to ensure cost effective pharmacy alternatives are first considered.

1995 - LATC

Drug	% of Cost	Most common diagnosis
Prozac	9.1%	Depression
Seldane	4.1%	Allergies
Zoloft	3.9%	Depression
Claritin	3.4%	Allergies
Zantac	3.2%	Ulcers
Mevacor	3.0%	High Cholesterol
Prilosec	3.0%	Ulcers/GERD
Pepcid	2.6%	Ulcers
Biaxcin	1.7%	Infections
Imitrex	1.7%	Migraine

2001 - HMO

Drug	% of Cost	Most common diagnosis
Lipitor	7.5%	High Cholesterol
Prilosec	6.5%	Ulcers/GERD
Prozac	4.4%	Depression
Claritin	4.3%	Allergies
Allegra	2.9%	Allergies
Accutane	2.6%	Acne
Paxil	2.3%	Anxiety
Enbrel	2.2%	Arthritis
Zoloft	2.0%	Depression
Augmentin	1.9%	Infections

2001 - POS

Drug	% of Cost	Most common diagnosis
Lipitor	8.9%	High Cholesterol
Prilosec	5.3%	Ulcers/GERD
Protopin	3.1%	Growth Deficiency
Prozac	3.1%	Depression
Betaseron	3.0%	Multiple Sclerosis
Rebetron 100	3.0%	Hepatitis C
Claritin	2.6%	Allergies
Avonex Adm	2.3%	Multiple Sclerosis
Copaxone	2.3%	Multiple Sclerosis
Casodex	2.0%	Prostate Cancer

Top Pharmacy Product Utilization – Retirees

- The Retiree comparisons are more reflective of the greater prevalence of chronic conditions among older populations. Pharmacy therapy for high cholesterol, allergies and age-related conditions like osteoporosis and prostate cancer are on the rise.

1995 - LATC

Drug	% of Cost	Most common diagnosis
Mevacor	5.9%	Cholesterol
Zantac	4.5%	Ulcers
Prilosec	4.0%	Ulcers/GERD
Pepcid	3.9%	Ulcers
Prozac	3.3%	Depression
Vasotec	1.9%	Hypertension
Zocor	1.8%	Cholesterol
Claritin	1.6%	Allergies
Zoloft	1.6%	Depression
Seldane	1.6%	Allergies

Non-Medicare

2001 - HMO

Drug	% of Cost	Most common diagnosis
Lipitor	11.0%	High Cholesterol
Prilosec	8.3%	Ulcers/GERD
Fosamax	2.9%	Osteoporosis
Claritin	2.5%	Allergies
Procrit	2.4%	Anemia
Pravachol	2.2%	High Cholesterol
Neupogen	1.7%	Cancer-related
Prozac	1.7%	Depression
Allegra	1.7%	Allergies
Glucophage	1.6%	Diabetes

2001 - POS

Drug	% of Cost	Most common diagnosis
Procrit	22.1%	Anemia
Lipitor	10.0%	High Cholesterol
Prilosec	5.9%	Ulcers/GERD
Claritin	3.8%	Allergies
Fosamax	2.7%	Osteoporosis
Proscar	2.3%	Prostate Cancer
Actos	2.1%	Diabetes
Vioxx	1.6%	Arthritis
Epogen	1.6%	Chronic Renal Failure
Prozac	1.4%	Depression

2000 - HMO

Drug	% of Cost	Most common diagnosis
Prilosec	8.5%	High Cholesterol
Lipitor	7.9%	Ulcers/GERD
Enbrel	4.0%	Arthritis
Casodex	3.3%	Prostate Cancer
Fosamax	3.2%	Osteoporosis
Pravachol	2.2%	High Cholesterol
Claritin	1.9%	Allergies
Neupogen	1.8%	Cancer-related
Zestril	1.7%	Hypertension
Glucophage	1.7%	Diabetes

Medicare Eligibles

2000 - POS

Drug	% of Cost	Most common diagnosis
Prilosec	6.7%	Ulcers/GERD
Lipitor	6.6%	High Cholesterol
Casodex	4.3%	Prostate Cancer
Zyprexa	3.7%	Bipolar Disorder
Fosamax	3.5%	Osteoporosis
Lupron Depo	3.0%	Prostate Cancer
Enbrel	2.9%	Arthritis
Paxil	2.6%	Anxiety
Procrit	1.8%	Anemia
Proscar	1.7%	Prostate Cancer

Prevalence of Key Chronic Conditions – Actives

- Based on available prevalence data, and using benchmarks developed from National Center for Health Statistics (NCHS) and Deloitte & Touche proprietary datasets, the Active LANL population does not generally appear to be more clinically severe than similar populations. However:
 - The prevalence of arthritis, hypercholesterolemia and hypertension are above benchmarks.
 - The increasing trends for arthritis, cardiovascular diseases, hypertension, and diabetes are notable and illustrate the importance of managing these conditions.

Condition	1998		1999		2000		2001		Benchmark
	Members	Percent	Members	Percent	Members	Percent	Members	Percent	
Arthritis	610	3.5%	621	3.4%	669	3.7%	749	4.2%	2-3%
Asthma	759	4.4%	1,039	5.7%	981	5.4%	1,053	5.9%	4-6%
Breast and Prostate Ca	183	1.1%	176	1.0%	196	1.1%	184	1.0%	0.1-1.5%
CHF	25	0.1%	27	0.1%	31	0.2%	33	0.2%	0.2-0.4%
COPD	39	0.2%	50	0.3%	53	0.3%	53	0.3%	1-2%
Diabetes	224	1.3%	280	1.5%	286	1.6%	308	1.7%	2-3%
Hypercholesterolemia	1,313	7.6%	1,601	8.8%	1,724	9.4%	2,084	11.6%	7-10%
Hypertension	1,089	6.3%	1,196	6.6%	1,313	7.2%	1,418	7.9%	4-6%
Ischemic Heart Disease	126	0.7%	127	0.7%	157	0.9%	176	1.0%	1.2-2.5%
Mental Health*	Data not available in 1998		1,816	10.0%	1,953	10.7%	2,053	11.2%	8-12%

* Mental health prevalences are based upon pharmacy utilization only.

Note: None of the prevalence levels reported above include Core program members.

Prevalence of Key Chronic Conditions – Non-Medicare Retirees

- Positive trends in the prevalence of asthma, CHF, diabetes, hypercholesterolemia, hypertension, and ischemic heart disease have made the LANL retiree population somewhat more severe than like populations.
- As many patients in this age group have multiple high-cost, chronic conditions, it is important to aggressively enhance LANL care management programs that focus on care coordination and patient compliance. If this is not accomplished, avoidable adverse outcomes and costs are likely to escalate rapidly.

Condition	1998		1999		2000		2001		Benchmark
	Members	Percent	Members	Percent	Members	Percent	Members	Percent	
Arthritis	361	13.5%	383	14.5%	372	14.3%	355	15.0%	18-25%
Asthma	127	4.8%	146	5.5%	159	6.1%	146	6.2%	4-6%
Breast and Prostate Ca	160	6.0%	144	5.5%	144	5.5%	136	5.7%	
CHF	30	1.1%	36	1.4%	43	1.7%	58	2.4%	1-2%
COPD	56	2.1%	69	2.6%	73	2.8%	72	3.0%	3-6%
Diabetes	109	4.1%	128	4.8%	148	5.7%	151	6.4%	5-6%
Hypercholesterolemia	524	19.6%	591	22.4%	675	25.9%	635	26.8%	18-25%
Hypertension	570	21.4%	575	21.8%	627	24.1%	627	26.5%	20-25%
Ischemic Heart Disease	122	4.6%	125	4.7%	128	4.9%	151	6.4%	5-6%
Mental Health*	Data not available in 1998		402	15.2%	397	15.3%	415	15.9%	

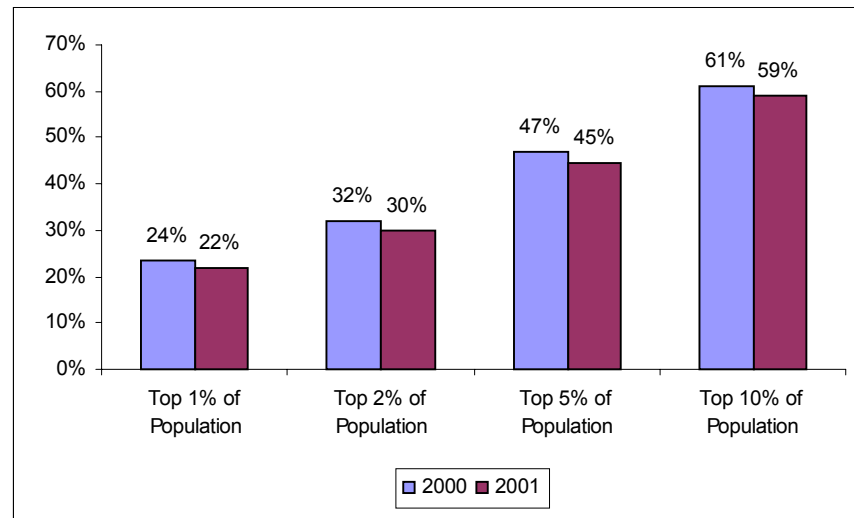
* Mental health prevalences are based upon pharmacy utilization only.

Note: None of the prevalence levels reported above include Core program members.

High Cost Claimants Across All Programs

- The top 10% of high cost claimants is responsible for almost 60% of total plan costs.

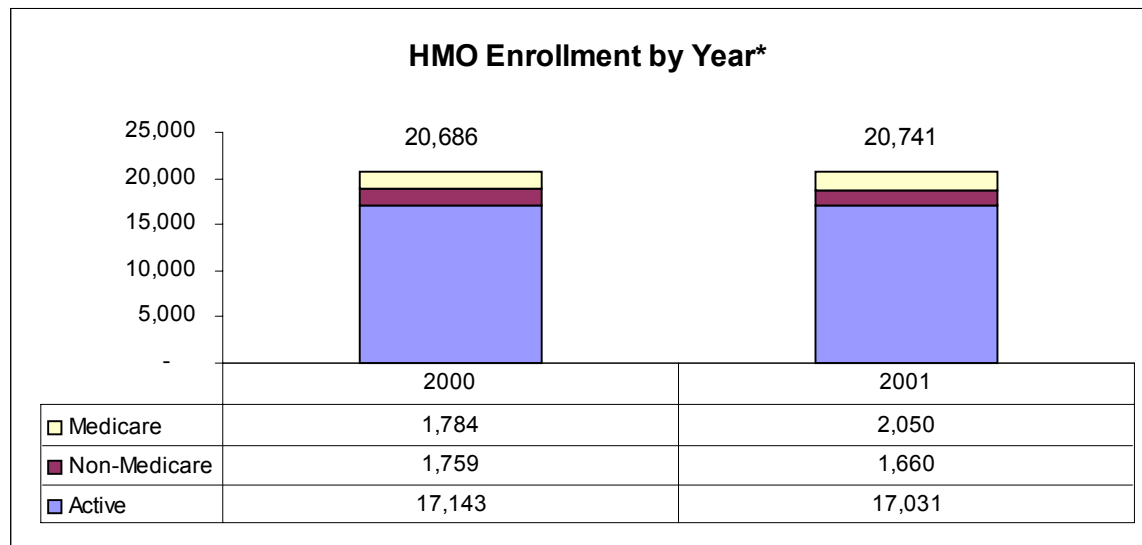
**Percentage of Total Claims Costs Incurred
by High Cost Population Cohorts**



BCBS NEW MEXICO – HMO PLAN HIGHLIGHTS

Enrollment Trends

- HMO Enrollment (which measures total lives including employees, retirees and their dependents) remained fairly stable from 2000 to 2001.
 - Medicare enrollment increased by approximately 15%, while Non-Medicare Retiree enrollment decreased over 9%.

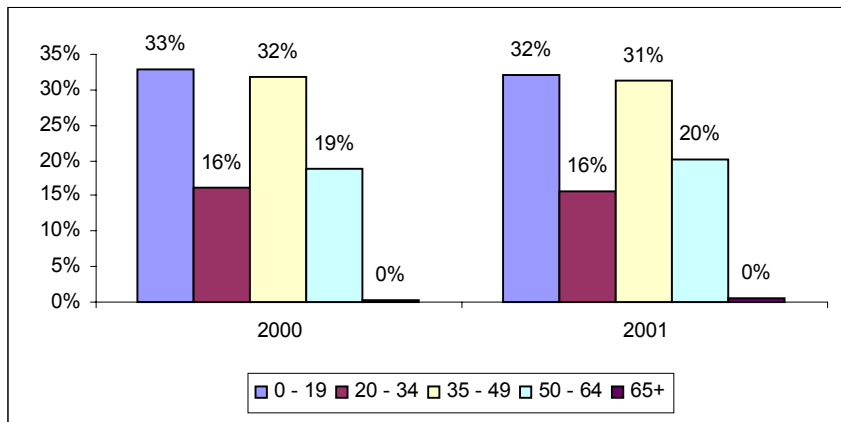


* Excludes COBRA and DOE members

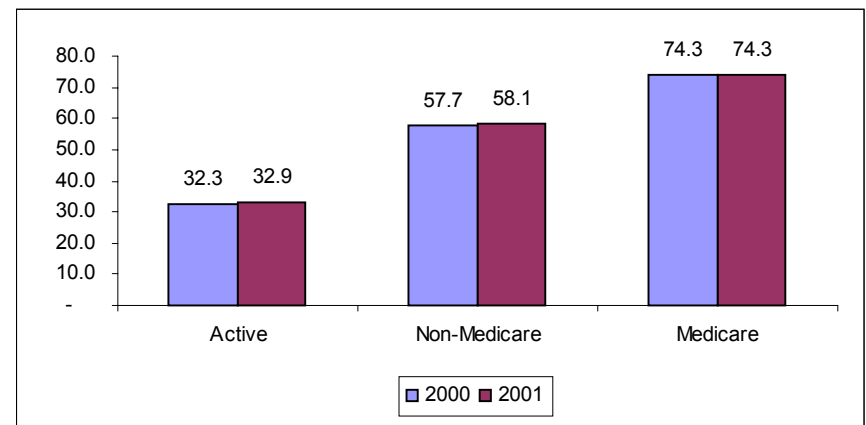
Demographic Trends

- The age of the HMO population is increasing slightly across the Active and Non-Medicare Retiree groups although the average for the Medicare Retiree group remained the same. The increases are in line with what would be expected for a relatively stable population.

**Distribution of Membership
by Age Group for Actives**



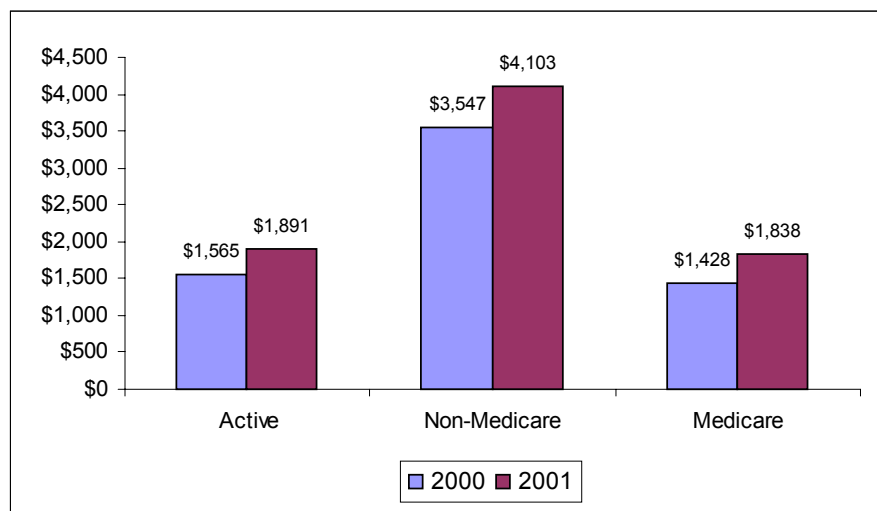
Average Age by Year



Cost Trends

- The PMPY cost trend for the HMO program continued to rise sharply in 2001, increasing overall by 19.6%.
- On a per member basis, claims costs for Non-Medicare retirees are more than double those of Actives. They are responsible for approximately 16% of HMO plan costs in 2001 although they are only 8% of the population.
- All major employee categories experienced double digit increases.

Average Annual Claims Cost – 2000 and 2001



	Total Claim Costs		Average Annual Claims Costs		
	2000	2001	2000	2001	% Change
Employee					
Active	\$26,833,384	\$32,202,421	\$1,565	\$1,891	20.8%
COBRA	\$185,351	\$189,132	\$4,363	\$2,984	-31.6%
Total	\$27,018,735	\$32,391,553	\$1,572	\$1,895	20.5%
Retiree					
Non-Medicare	\$6,237,908	\$6,809,829	\$3,547	\$4,103	15.7%
Medicare	\$2,547,265	\$3,768,040	\$1,428	\$1,838	28.8%
Total	\$8,785,173	\$10,577,869	\$2,480	\$2,851	15.0%
DOE	\$4,437	\$0	\$641	\$0	-100.0%
HMO Total	\$35,808,344	\$42,969,421	\$1,727	\$2,065	19.6%

Cost by Service Category – Actives

- Significant increases in PMPM costs were experienced in all major service categories with the most dramatic increases in outpatient facility care and pharmacy expense.
- In the aggregate, outpatient facility, outpatient professional and pharmacy costs represent \$2.9 million of the approximately \$5.4 million in total claims increases for Active employees.

PMPM Cost by Service Category – 2000 & 2001

Actives	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$4,370,934	\$5,116,628	\$21.19	\$24.94	17.7%
Inpatient Professional & Other	\$1,577,712	\$1,843,784	\$7.65	\$8.99	17.5%
Outpatient Facility	\$7,196,626	\$9,189,580	\$34.90	\$44.80	28.4%
Outpatient Professional & Other	\$10,320,405	\$11,757,519	\$50.04	\$57.32	14.5%
Pharmacy	\$3,553,057	\$4,484,042	\$17.23	\$21.86	26.9%
Total	\$27,018,735	\$32,391,553	\$131.02	\$157.91	20.5%

Cost by Service Category – Retirees

- Outpatient facility care and outpatient professional cost trends were less severe when compared to Active employee trends, but inpatient and pharmacy costs were both up significantly over 2000.
- Inpatient care and pharmacy increases comprise approximately 55% of the total cost increase for this population in 2001 (\$1.0 million out of a total of \$1.8 million).

PMPM Cost by Service Category – 2000 & 2001

Retirees	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$1,239,747	\$1,726,754	\$29.16	\$38.79	33.0%
Inpatient Professional & Other	\$434,606	\$579,428	\$10.22	\$13.02	27.3%
Outpatient Facility	\$2,437,627	\$2,737,193	\$57.33	\$61.49	7.2%
Outpatient Professional & Other	\$2,410,396	\$2,759,356	\$56.69	\$61.99	9.3%
Pharmacy	\$2,262,798	\$2,775,138	\$53.22	\$62.34	17.1%
Total	\$8,785,173	\$10,577,869	\$206.63	\$237.62	15.0%

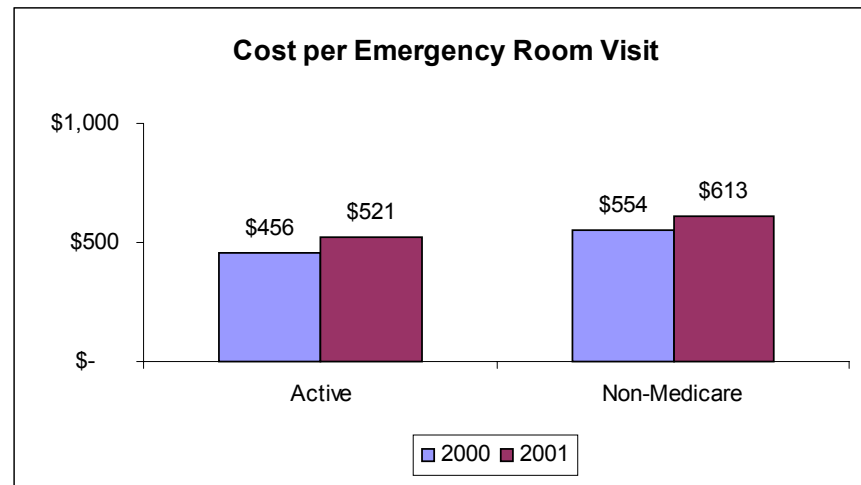
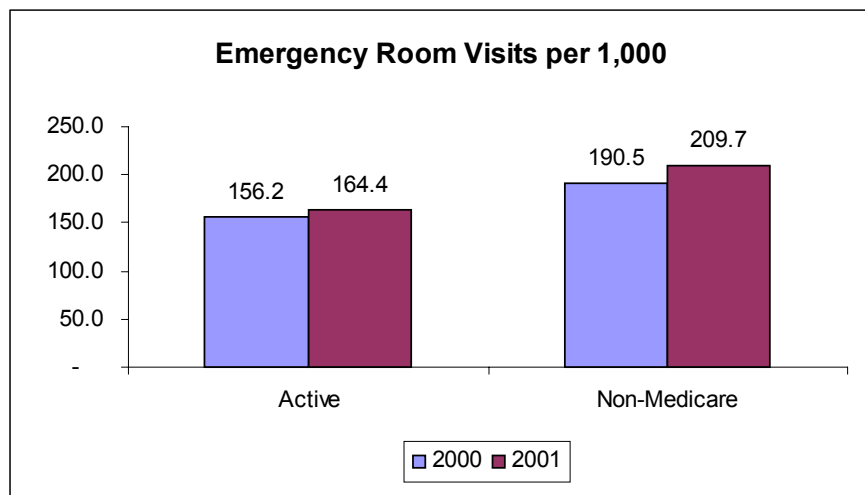
Inpatient Utilization Trends

- The increase in PMPM inpatient facility costs is explained by:
 - Inpatient admission rates for the Active and Non-Medicare populations increased approximately 2% in 2001 and the Medicare admission rate rose 12%. In 2001, the days per 1,000 rate of 190 for Actives compares favorably to the *Health Care 2001* HMO commercial national average of 230.
 - Significant increases in the cost per admission were noted for all groups.

	Actives			Non-Medicare			Medicare		
	2000	2001	% Change	2000	2001	% Change	2000	2001	% Change
Total Admissions	953	969	2%	177	170	-4%	288	369	28%
Total Days	3,234	3,239	0%	768	792	3%	1,367	1,574	15%
ALOS	3.4	3.3	-1%	4.3	4.7	7%	4.7	4.3	-10%
Admits per 1,000	55.6	56.9	2%	100.6	102.4	2%	161.4	180.0	12%
Days per 1,000	188.6	190.2	1%	436.7	477.2	9%	766.1	767.8	0%
Cost per Admit	\$4,522	\$5,232	16%	\$5,611	\$7,697	37%	\$856	\$1,133	32%
Cost per Day	\$1,333	\$1,565	17%	\$1,293	\$1,652	28%	\$180	\$266	47%
DRG Case Mix Index	0.86	0.94	9%	1.16	1.43	23%	1.28	1.31	3%

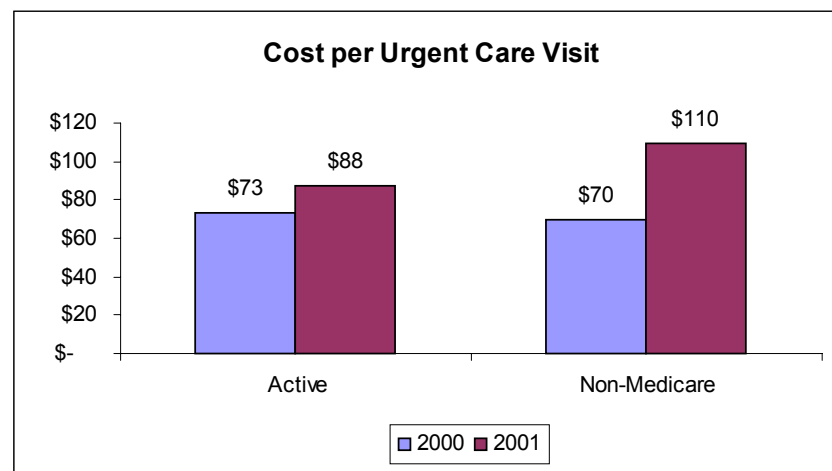
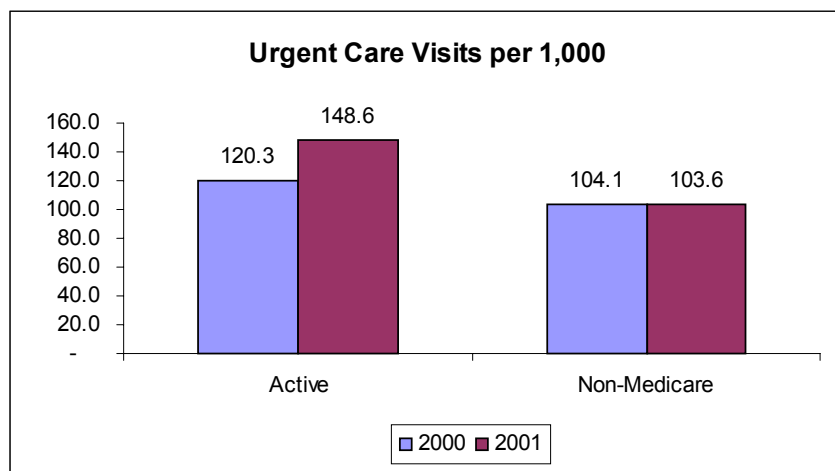
Outpatient Utilization Trends – Emergency Room

- Emergency room cost increases are a key driver of overall increases in outpatient facility costs.
 - ER utilization increased for the Active and Non-Medicare populations:
 - Actives experienced a 5% increase.
 - Non-Medicare members experienced a 10% increase.
 - Emergency room costs per visit increased 14.3% for the Active population and almost 10.6% for the Non-Medicare group.



Outpatient Utilization Trends – Urgent Care

- A change in the definition of urgent care was implemented for this report due to changes in claim systems at BCBSNM in 2001. The 2000 results have been restated to be consistent between years. The revised methodology is more likely to identify urgent care services billed through facilities and will likely understate total utilization in this category.
- Urgent care utilization increased 23.5% for Actives but remained stable for Non-Medicare Retirees.
- The costs for these services increased over 20% for Actives and over 50% for Non-Medicare Retirees.
- The combined rate of emergency room and urgent care utilization continues to suggest a very high overall rate of utilization, some of which appears avoidable.



Note: Because of a claims system change, the definition of Urgent Care was modified for 2000 and 2001. This has resulted in fewer Urgent Care encounters being reported and a higher cost per service.

Pharmacy Highlights – Actives

- Scripts per member were 7.9 in 2001 – up from 7.2 in 2000 (National average ~8).
- PMPM pharmacy costs increased almost 27% from 2000 to 2001 for this group.
- The cost per script increased 16.4% from 2000 to 2001.
- The top 10 drugs by cost (shaded area) accounted for 36.4% of total pharmacy costs in 2001:
 - For these drugs, the utilization rate increased 7% and total cost increased 10% from 2000 to 2001.
 - The cost per script increased 10% from 2000 to 2001.

Drug Name	2000					2001				
	Rank	Scripts	% Scripts	Paid	% Paid	Rank	Scripts	% Scripts	Paid	% Paid
LIPITOR	1	4,042	3.2%	\$256,805	7.2%	1	4,745	3.5%	\$333,402	7.5%
PRILOSEC	3	2,132	1.7%	\$244,299	6.9%	2	2,278	1.7%	\$288,928	6.5%
PROZAC	2	2,376	1.9%	\$246,775	7.0%	3	1,667	1.2%	\$197,988	4.4%
CLARITIN	4	3,583	2.9%	\$160,714	4.5%	4	3,675	2.7%	\$191,065	4.3%
ALLEGRA	7	2,354	1.9%	\$83,324	2.4%	5	3,225	2.4%	\$128,757	2.9%
ACCUTANE	6	258	0.2%	\$88,029	2.5%	6	256	0.2%	\$114,249	2.6%
PAXIL	5	1,749	1.4%	\$96,191	2.7%	7	1,671	1.2%	\$101,285	2.3%
ENBREL	11	60	0.0%	\$66,290	1.9%	8	95	0.1%	\$97,896	2.2%
ZOLOFT	12	1,318	1.1%	\$65,885	1.9%	9	1,550	1.1%	\$87,152	2.0%
AUGMENTIN	8	1,631	1.3%	\$77,276	2.2%	10	1,674	1.2%	\$86,702	1.9%
IMITREX	9	582	0.5%	\$73,965	2.1%	11	553	0.4%	\$80,439	1.8%
EFFEXOR XR	14	575	0.5%	\$44,686	1.3%	12	833	0.6%	\$80,100	1.8%
AVONEX ADMINISTRATION PACK	10	83	0.1%	\$69,435	2.0%	13	88	0.1%	\$69,095	1.5%
CELEXA	16	956	0.8%	\$42,926	1.2%	14	1,280	0.9%	\$64,088	1.4%
WELLBUTRIN SR	19	629	0.5%	\$38,223	1.1%	15	911	0.7%	\$63,236	1.4%

Pharmacy Highlights – Non-Medicare Retirees

- Scripts per member were 17.7 in 2001 – up from 16.2 in 2000.
- PMPM pharmacy costs increased 28% from 2000 to 2001 for this group.
- The cost per script increased 16.6% from 2000 to 2001.
- The top 10 drugs by cost (shaded area) accounted for 36.0% of the total pharmacy cost in 2000:
 - For these drugs, the utilization rate increased 14% and total cost increased 15% from 2000 to 2001.
 - The cost per script increased 7% from 2000 to 2001.

Drug Name	2000					2001				
	Rank	Scripts	%Scripts	Paid	%Paid	Rank	Scripts	%Scripts	Paid	%Paid
LIPITOR	1	1,260	4.4%	\$102,351	10.9%	1	1,489	5.1%	\$125,080	11.0%
PRILOSEC	2	655	2.3%	\$91,433	9.7%	2	618	2.1%	\$94,341	8.3%
FOSAMAX	7	445	1.6%	\$21,668	2.3%	3	635	2.2%	\$33,317	2.9%
CLARITIN	4	419	1.5%	\$24,947	2.7%	4	411	1.4%	\$28,123	2.5%
PROCRIT	8	13	0.0%	\$16,021	1.7%	5	22	0.1%	\$26,790	2.4%
PRAVACHOL	5	285	1.0%	\$24,768	2.6%	6	277	0.9%	\$24,479	2.2%
NEUPOGEN	11	8	0.0%	\$15,151	1.6%	7	8	0.0%	\$19,564	1.7%
PROZAC	3	198	0.7%	\$29,783	3.2%	8	140	0.5%	\$19,480	1.7%
ALLEGRA	10	369	1.3%	\$15,481	1.6%	9	364	1.2%	\$19,042	1.7%
GLUCOPHAGE	12	279	1.0%	\$13,888	1.5%	10	275	0.9%	\$18,160	1.6%
ZESTRIL	13	876	3.1%	\$13,310	1.4%	11	960	3.3%	\$16,175	1.4%
ZOCOR	14	132	0.5%	\$12,584	1.3%	12	147	0.5%	\$15,145	1.3%
PAXIL	17	207	0.7%	\$10,738	1.1%	13	204	0.7%	\$15,120	1.3%
ENBREL	9	18	0.1%	\$15,807	1.7%	14	15	0.1%	\$14,281	1.3%
PROSCAR	18	176	0.6%	\$9,948	1.1%	15	238	0.8%	\$13,875	1.2%

Pharmacy Highlights – Medicare Retirees

- Scripts per member were 22.6 in 2001 – up from 22.3 in 2000 (National average ~22).
- PMPM pharmacy costs increased 7.7% from 2000 to 2001 for this group.
- The cost per script increased 6.1% from 2000 to 2001.
- The top 10 drugs by cost (shaded area) accounted for 36.2% of the total pharmacy cost in 2001:
 - For these drugs, the utilization rate increased 7% and total cost increased 32 % from 2000 to 2001.
 - The cost per script increased 8% from 2000 to 2001.

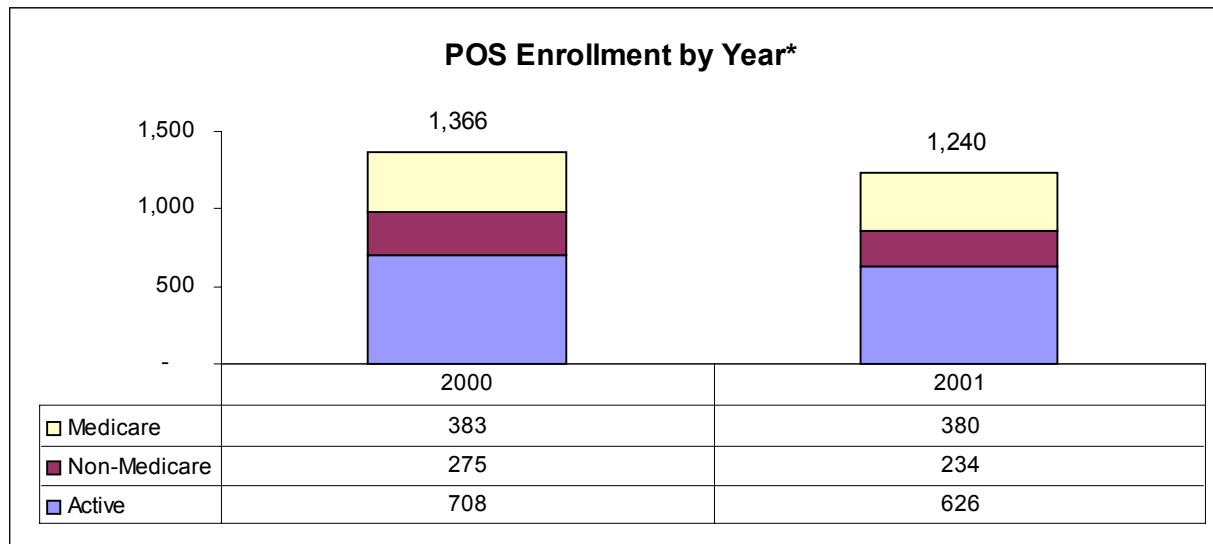
Drug Name	2000					2001				
	Rank	Scripts	%Scripts	Paid	%Paid	Rank	Scripts	%Scripts	Paid	%Paid
PRILOSEC	1	994	2.5%	\$134,796	10.2%	1	965	2.1%	\$139,582	8.5%
LIPITOR	2	1,494	3.8%	\$97,894	7.4%	2	1,923	4.2%	\$129,749	7.9%
ENBREL	3	44	0.1%	\$40,896	3.1%	3	66	0.1%	\$64,745	4.0%
CASODEX	7	59	0.1%	\$27,302	2.1%	4	88	0.2%	\$53,805	3.3%
FOSAMAX	6	689	1.7%	\$31,491	2.4%	5	1,175	2.5%	\$53,202	3.2%
PRAVACHOL	5	354	0.9%	\$32,405	2.4%	6	394	0.9%	\$36,084	2.2%
CLARITIN	9	419	1.1%	\$23,865	1.8%	7	503	1.1%	\$31,649	1.9%
NEUPOGEN	11	10	0.0%	\$20,102	1.5%	8	16	0.0%	\$29,328	1.8%
ZESTRIL	19	1,234	3.1%	\$17,261	1.3%	9	1,481	3.2%	\$27,434	1.7%
GLUCOPHAGE	10	503	1.3%	\$21,785	1.6%	10	510	1.1%	\$27,025	1.7%
PROSCAR	13	310	0.8%	\$19,498	1.5%	11	374	0.8%	\$25,071	1.5%
PROCRIT	4	33	0.1%	\$33,810	2.6%	12	21	0.0%	\$23,695	1.4%
NORVASC	17	487	1.2%	\$18,678	1.4%	13	609	1.3%	\$23,651	1.4%
VIOXX	21	309	0.8%	\$14,934	1.1%	14	429	0.9%	\$22,536	1.4%
LUPRON DEPOT	16	26	0.1%	\$18,694	1.4%	15	38	0.1%	\$22,200	1.4%



BCBS NEW MEXICO – POS PLAN HIGHLIGHTS

Enrollment Trends

- Overall, enrollment in the POS program decreased approximately 9%:
 - Non-Medicare Retiree enrollment decreased approximately 15%, while Medicare enrollment was relatively unchanged.
 - Active employee enrollment decreased approximately 12%.

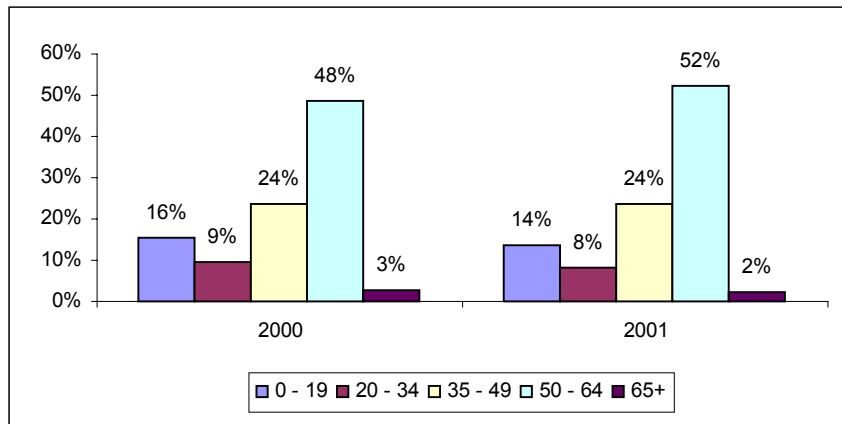


* Excludes COBRA and DOE enrollment.

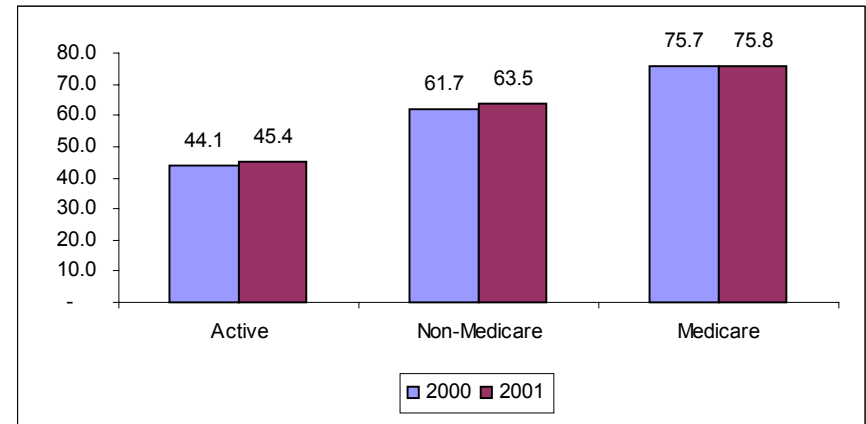
Demographic Trends

- The age of the POS population is increasing slightly across all major employee groups.
 - Actives between the ages of 50 to 64 comprised over half of the total membership for this employee population in 2001, unlike the HMO where just over 30% are in this age group.
 - POS Actives are approximately 12.5 years older than HMO Actives.
 - The average age of Non-Medicare Retirees in the POS program is approximately 5 years older than HMO Non-Medicare Retirees.

Distribution of Membership by Age for Active Employees



Average Member Age by Employee Group



Cost by Service Category – Actives

- For Actives, PMPM costs increased over 50% from 2000 to 2001.
 - Due to the small Active enrollment, PMPM costs may vary significantly year to year.
 - Inpatient and outpatient facility costs rose dramatically, explained in part by more high cost claimants in 2001 and a large rise in inpatient utilization. There were two times as many claimants with payments in excess of \$10,000 in 2001 than there were in 2000.
 - The PMPM cost for the POS Actives is nearly 1.8 times as high as HMO Actives.

PMPM Cost by Service Category – 2000 & 2001

Actives	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$148,197	\$374,392	\$17.40	\$49.59	185.0%
Inpatient Professional & Other	\$45,466	\$96,126	\$5.34	\$12.73	138.5%
Outpatient Facility	\$374,607	\$568,852	\$43.99	\$75.35	71.3%
Outpatient Professional & Other	\$655,045	\$655,684	\$76.92	\$86.85	12.9%
Pharmacy	\$360,211	\$416,004	\$42.30	\$55.10	30.3%
Total	\$1,583,526	\$2,111,057	\$185.94	\$279.63	50.4%

Cost by Service Category – Retirees

- For Retirees, PMPM costs increased 16.8% overall.
 - Due to the small Retiree enrollment, costs may vary significantly year to year.
 - Inpatient PMPM costs decreased for facility care but increased for professional services.
 - Outpatient PMPM costs increased sharply, most notably for outpatient professional and other services.
 - PMPM pharmacy costs increased 29.7% over 2000, much higher than the 17.1% reported for HMO Retirees.

PMPM Cost by Service Category – 2000 & 2001

Retirees	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$241,855	\$140,499	\$30.63	\$19.07	-37.7%
Inpatient Professional & Other	\$95,043	\$96,264	\$12.04	\$13.07	8.5%
Outpatient Facility	\$272,944	\$304,503	\$34.57	\$41.34	19.6%
Outpatient Professional & Other	\$364,243	\$458,876	\$46.14	\$62.29	35.0%
Pharmacy	\$505,743	\$612,146	\$64.06	\$83.10	29.7%
Total	\$1,479,827	\$1,612,288	\$187.44	\$218.87	16.8%

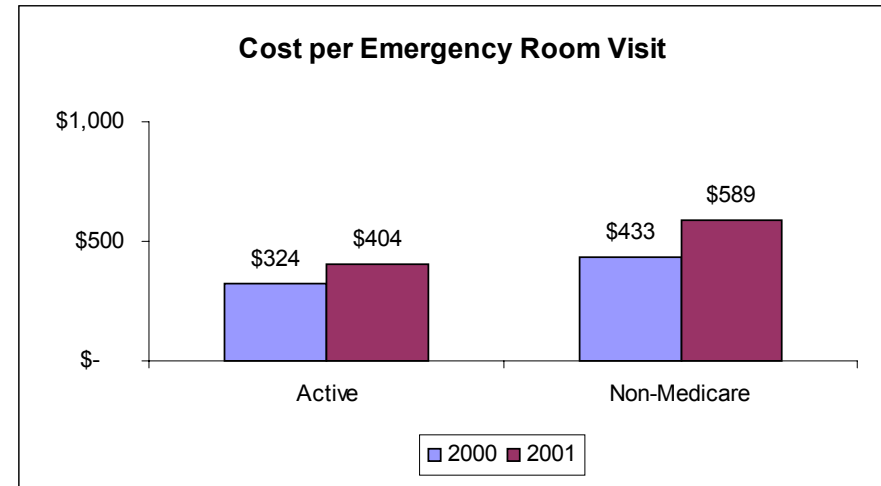
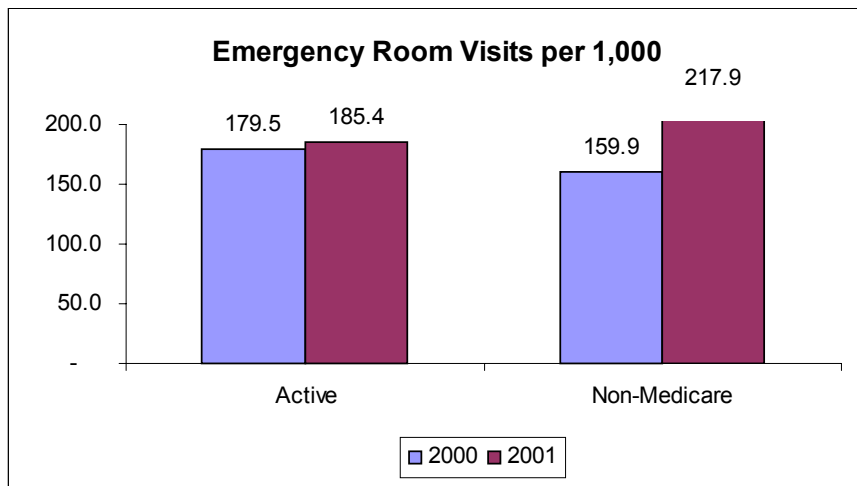
Inpatient Utilization Trends

- The table below shows a 46% rise in Active employee admission rates for 2001. The small enrollment in the POS program makes it difficult to draw credible conclusions about inpatient utilization trends, but it appears that the population in the POS program has a greater illness burden in 2001.
- The cost per admission also rose sharply but this is explained by the longer lengths of stay in 2001. Large claims clearly influence this rate significantly.

	Actives			Non-Medicare			Medicare		
	2000	2001	% Change	2000	2001	% Change	2000	2001	% Change
Total Admissions	31	40	29%	38	31	-18%	81	61	-25%
Total Days	67	174	160%	181	95	-48%	430	280	-35%
ALOS	2.2	4.4	101%	4.8	3.1	-36%	5.3	4.6	-14%
Admits per 1,000	43.8	63.9	46%	138.1	132.4	-4%	211.6	160.6	-24%
Days per 1,000	94.7	278.1	194%	657.8	405.9	-38%	1,123.4	737.2	-34%
Cost per Admit	\$4,781	\$9,360	96%	\$5,909	\$3,794	-36%	\$214	\$375	76%
Cost per Day	\$2,212	\$2,152	-3%	\$1,241	\$1,238	0%	\$40	\$82	103%
DRG Case Mix Index	0.86	0.94	9%	1.16	1.43	23%	1.28	1.31	3%

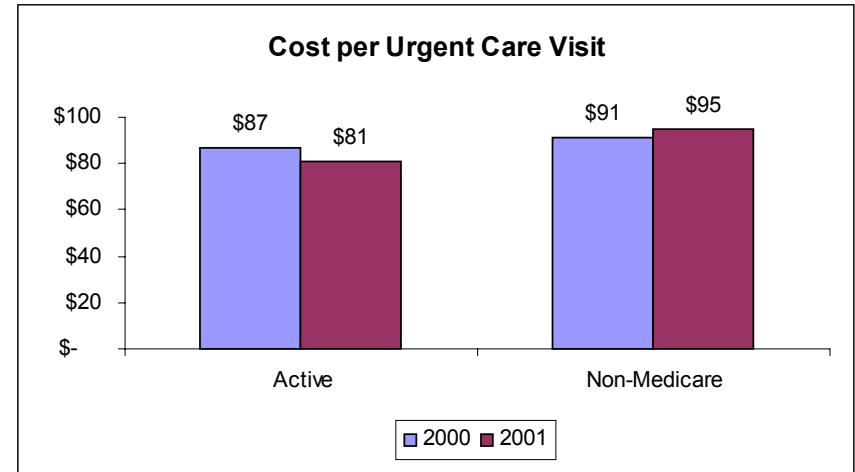
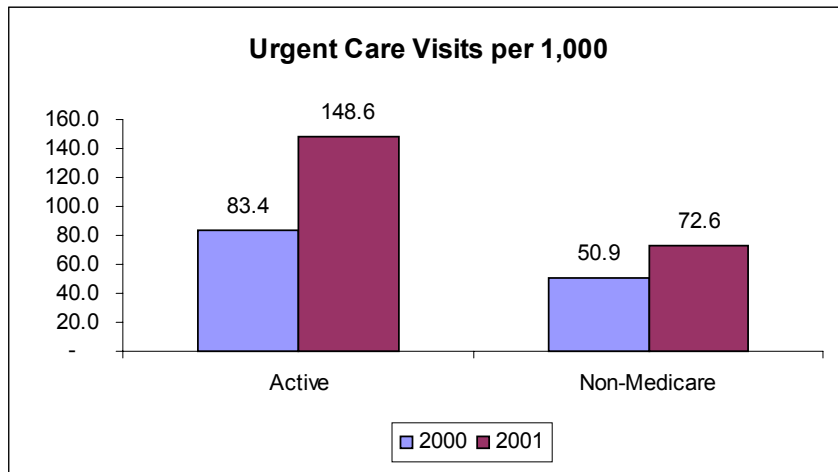
Outpatient Utilization Trends – Emergency Room

- Emergency room utilization increased 3% for Actives and over 36% for Non-Medicare retirees.
- The cost per emergency room visit increased almost 25% for Actives and 36% for Non-Medicare retirees.



Outpatient Utilization Trends – Urgent Care

- As discussed earlier, a change in the definition of urgent care was implemented for this report due to changes in claim systems at BCBSNM in 2001.
- Significant increases in urgent care utilization were experienced by Actives and Non-Medicare Retirees in 2001.
- Despite the utilization increases, the cost per urgent care encounter decreased 7% for Actives and increased approximately 4% for Non-Medicare Retirees.



Pharmacy Highlights – All Members

- Scripts per member were 20.5 in 2001 – up from 18.3 in 2000 – a 12% increase.
- PMPM pharmacy costs increased over 30% in 2001.
- The cost per script increased 18% from 2000 to 2001.
- The top 10 drugs by cost (shaded area) accounted for 34.4% of total pharmacy cost in 2001:
 - For these drugs, the utilization rate increased 17% and total cost increased 14% from 2000 to 2001.
 - The cost per script increased 7% from 2000 to 2001.

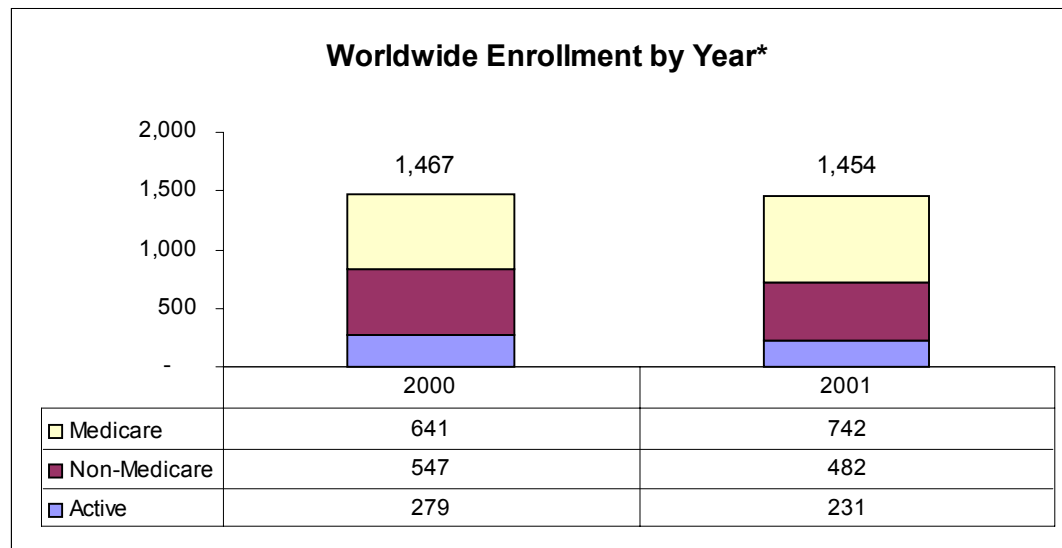
Drug Name	2000					2001				
	Rank	Scripts	%Scripts	Paid	%Paid	Rank	Scripts	%Scripts	Paid	%Paid
LIPITOR	1	1,062	4.2%	\$64,552	7.4%	1	1,205	4.7%	\$84,755	8.2%
PRILOSEC	2	449	1.8%	\$55,279	6.4%	2	465	1.8%	\$61,624	6.0%
PROCRIT	3	27	0.1%	\$48,686	5.6%	3	18	0.1%	\$59,225	5.8%
FOSAMAX	8	430	1.7%	\$19,192	2.2%	4	607	2.4%	\$26,677	2.6%
CASODEX	6	17	0.1%	\$23,083	2.7%	5	30	0.1%	\$25,099	2.4%
CLARITIN	5	517	2.0%	\$23,926	2.8%	6	440	1.7%	\$24,611	2.4%
PROZAC	4	286	1.1%	\$28,425	3.3%	7	181	0.7%	\$20,843	2.0%
PAXIL	13	236	0.9%	\$12,765	1.5%	8	279	1.1%	\$18,513	1.8%
ZYPREXA	12	71	0.3%	\$13,170	1.5%	9	87	0.3%	\$16,648	1.6%
LUPRON DEPOT	7	30	0.1%	\$21,643	2.5%	10	23	0.1%	\$15,933	1.5%
PROSCAR	10	235	0.9%	\$13,980	1.6%	11	221	0.9%	\$14,184	1.4%
PROTROPIN	16	15	0.1%	\$10,625	1.2%	12	15	0.1%	\$13,018	1.3%
BETASERON	11	14	0.1%	\$13,530	1.6%	13	13	0.1%	\$12,563	1.2%
VIOXX	22	212	0.8%	\$8,227	0.9%	14	280	1.1%	\$12,390	1.2%
REBETRON 1000	59	3	0.0%	\$3,458	0.4%	15	10	0.0%	\$12,370	1.2%



BCBS NEW MEXICO – WORLDWIDE BENEFITS HIGHLIGHTS

Enrollment Trends

- Overall enrollment in the Worldwide program was relatively unchanged in 2001.
- Increases in Medicare Retiree enrollment were offset by decreases in Non-Medicare Retiree and Active enrollment.
- Retirees continued to comprise over 80% of the membership of this plan.

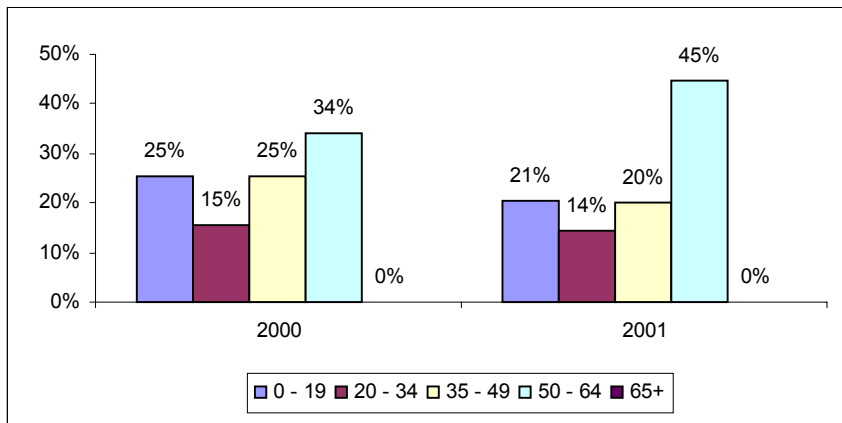


* Excludes COBRA and DOE members. Totals may not reconcile due to rounding reflected in average membership counts.

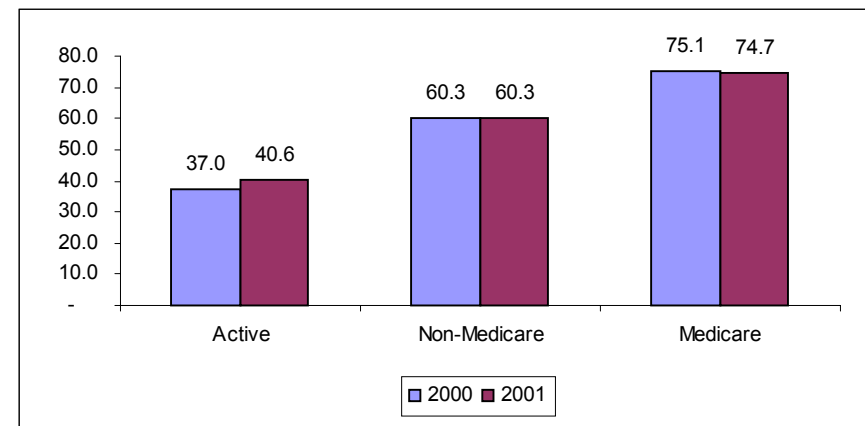
Demographic Trends

- The average age of the Worldwide Active population increased almost 10%. Average for the Retiree groups were generally unchanged in 2001.
- Only the Active employee membership showed an increase in average member age in 2001.

**Distribution of Membership
by Age Group for Active Employees**



Average Member Age by Employee Group



Cost Trends by Service Category – Actives

- With the small number of Active members, large fluctuations in claims expense by service category can be expected.
- For Active employees, the most significant decrease in PMPM costs occurred in the inpatient category where fewer admissions were reported.
- Pharmacy claims expense increased over 84% in 2001.

PMPM Cost by Service Category – 2000 & 2001

Actives	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$360,376	\$167,803	\$99.93	\$53.65	-46.3%
Inpatient Professional & Other	\$131,675	\$47,325	\$36.51	\$15.13	-58.6%
Outpatient Facility	\$104,957	\$67,446	\$29.10	\$21.56	-25.9%
Outpatient Professional & Other	\$243,611	\$136,565	\$67.55	\$43.66	-35.4%
Pharmacy	\$81,758	\$130,787	\$22.67	\$41.81	84.4%
Total	\$922,378	\$549,927	\$255.77	\$175.81	-31.3%

Cost Trends by Service Category – Retirees

- Like the Actives, many of the PMPM cost trends for Retirees declined in 2001 with the exception of pharmacy claims expense, which rose 25%. Again, the smaller enrollment in the program explains part of the fluctuation.

PMPM Cost by Service Category – 2000 & 2001

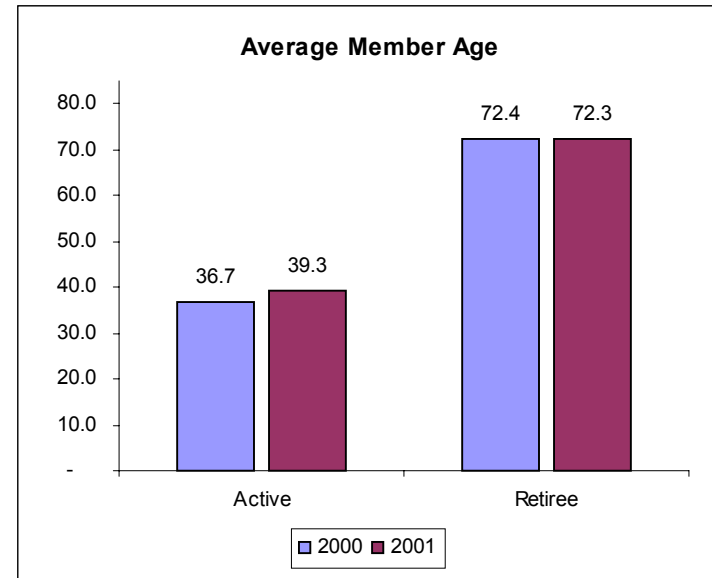
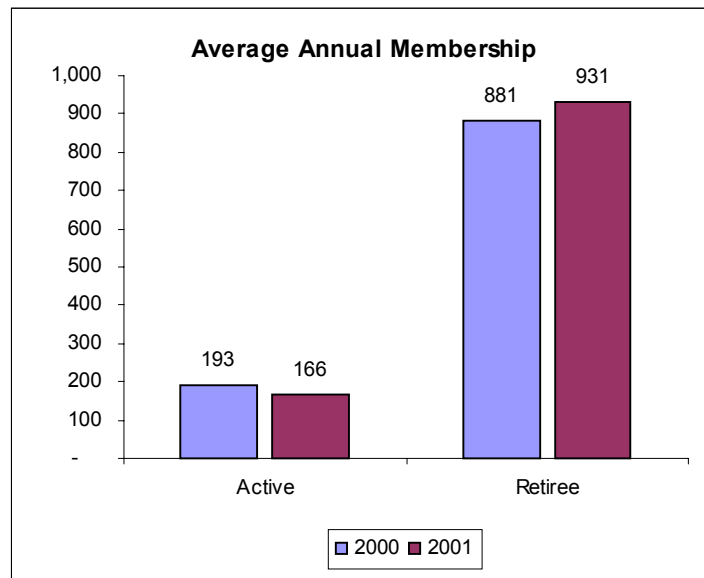
Retirees	Total Costs		PMPM Cost		
	2000	2001	2000	2001	% Change
Inpatient Facility	\$688,444	\$572,303	\$48.30	\$38.99	-19.3%
Inpatient Professional & Other	\$111,759	\$109,573	\$7.84	\$7.46	-4.8%
Outpatient Facility	\$378,853	\$376,567	\$26.58	\$25.65	-3.5%
Outpatient Professional & Other	\$571,491	\$523,671	\$40.09	\$35.67	-11.0%
Pharmacy	\$703,391	\$904,885	\$49.35	\$61.64	24.9%
Total	\$2,453,938	\$2,486,998	\$172.15	\$169.41	-1.6%



AETNA – CORE NEW MEXICO PLAN HIGHLIGHTS

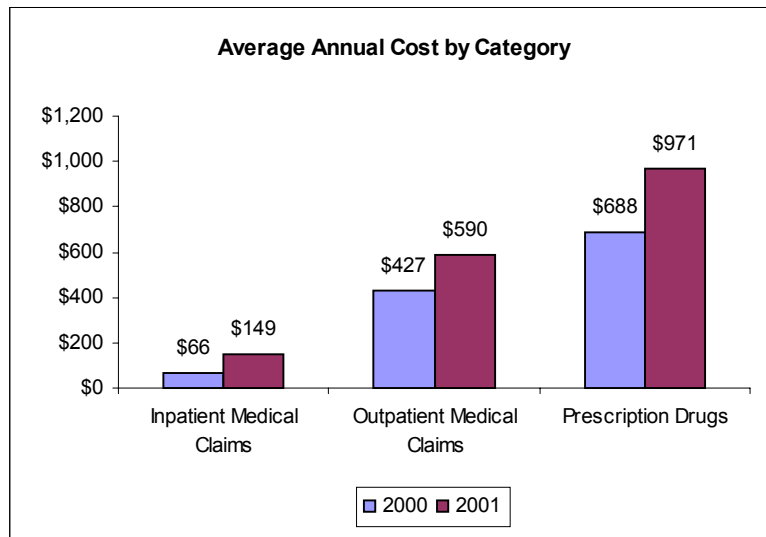
Enrollment & Demographic Trends

- The Core plan continues to be comprised primarily of Medicare-eligible Retirees.
- Active membership in the program declined approximately 14% in 2001 but increased almost 6% for Retirees.



Cost Trends

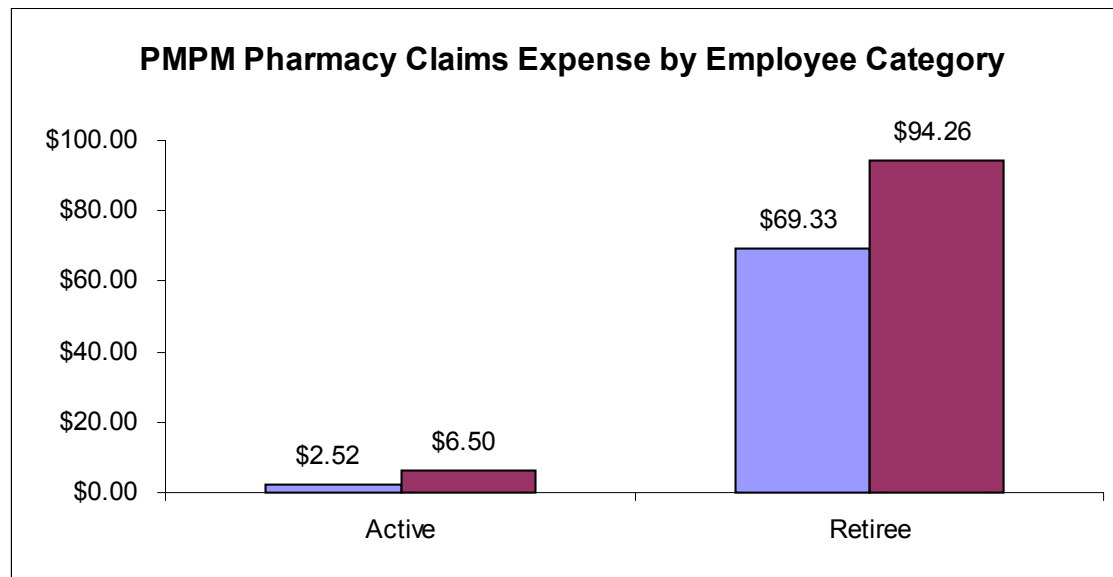
- Claims expense increased sharply in all major service categories in 2001, with the most dramatic change in the inpatient claims category.
- Prescription drugs, which are paid as fee-for-service claims, increased over 41% and represented 57% all claims expense.



		Average Annual Cost (PMPY)		Annual Trend
Category		2000	2001	
Medical Claims	Inpatient	\$66	\$149	125.0%
	Outpatient	\$427	\$590	38.2%
Prescription Drugs		\$688	\$971	41.2%
Total		\$1,181	\$1,712	41.2%

Pharmacy Cost Trends

- The Core program does not incorporate a pharmacy benefits management program like that used for the BCBSNM programs and, therefore, pharmacy claims expense reflects “retail” prices.
- PMPM pharmacy claims expense for Actives is modest (although this population is small). Retiree PMPM costs increased 36% in 2001 and was much higher than the average for Medicare Retirees under the BCBSNM programs in 2001 (at \$69.29 PMPM).





CONCLUSIONS

CONCLUSIONS

- While the disease burden for LANL Actives is comparable to similar populations, the disease burden for the retirees exceeds age-adjusted benchmarks.
- The high prevalence of diabetes and cardiovascular disease (including hypertension and hypercholesterolemia) combined with positive prevalence trends for these diseases is notable across the entire LANL population and underscores the need for effective disease management programs.
- The cost of retiree health care is high when compared to the Active population. Moreover, they are a larger percentage of the total LANL population as compared to the ratio for California.
- Analyses continue to reveal that key cost drivers are a combination of utilization and service cost increases, especially in the area of outpatient care.
- While plan design changes have helped to mitigate cost trends to the plans, underlying trends in utilization and service costs continue.